

# **Strategic Expatriate Management for SME Managers**

Miika Kostamo

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<b>Author or authors</b> Miika Kostamo	<b>Group or year of entry</b> MABBA07
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<b>Supervisor or supervisors</b> Elizabeth San Miguel (Subject), Teppo Vartala (Methods)	
<p>Expatriate management in SMEs (Small and medium-sized enterprises) is a topic that has not been studied very much in literature. Even in commonly referenced publications about international human resource management the SMEs are usually mentioned only on few pages. Still in most countries SMEs are a backbone of the society by far.</p> <p>These were the reasons for studying and writing a thesis about expatriate management in SMEs. The outcome of this process is a guide book for managers, "Introduction for SME Managers: Strategic Expatriate Management".</p> <p>With this guide I have tried to make the expatriate management topic easier to understand and also more approachable from the reader's point of view. As part of the guide I have used my personal experiences as an expatriate working in different cultural environments.</p> <p>My personal belief is that the guide in "Attachment 1" is worth reading for anyone wanting to know more about expatriate management, especially to those, who want to avoid the most common mistakes in expatriate management. This thesis report includes more detailed background for the guide as well as about the thesis research process.</p>	
<b>Keywords</b> STRATEGIC MANAGEMENT, EXPATRIATE MANAGEMENT, CROSS-CULTURAL COMMUNICATION, CHANGE MANAGEMENT, WORK WELLBEING	

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# **1 Introduction**

Why I decided to study and write my thesis about strategic expatriate management in SMEs? It was a my own belief that it matters.

From my personal experience I can say that managing expatriates is not easy. Different cultural and local requirements in expatriation make the whole picture a lot more complex than managing employees at the home office. An approach that has worked in one cultural environment or project can have a totally different results in another cultural setting. For expatriate managers this is important to realise.

Key to successful expatriate management is not to ignore these cultural requirements and to prepare expatriate's with the right tools, before deploying them on an assignment abroad. The outcome of this thesis in Attachment 1 tries to answer this problem and help in the expatriate management process. Writing it was a personal learning experience and by making it available to other I am trying to share this experience to you.

## **1.1 Background to thesis topic**

Expatriate management in SMEs is a complex topic that involves interpersonal skills, human resource management, multi-cultural communication and some parts that all expatriates know, but are not so easy to describe in writing. For the author it took over 7 years to realize how complex it actually is. Knowing it 7 years ago might have helped on the first assignment, but still understanding it would have not been possible.

The purpose of this thesis is to share the theoretical findings as well as the practical experiences of the author to wider audience, so that future expatriate managers in SME could benefit from those. Managing expatriate's is not easy, but knowing more about it can help a lot in the process and create faster returns for business operations.

## **1.2 Challenges in internationalization of SMEs**

What points out the importance of expatriate management more is the fact that SMEs in general face a lot of more difficulties than larger enterprises in their internationalization process (Dowling et. al. 2008, 65-66). Some major difficulties for SMEs in their internationalization process that have been found by OECD and APEC studies in recent years are (Dowling et. al. 2008 & OECD-APEC 2006 & OECD 2009.)

1. Shortage of working capital to finance exports
2. Identifying foreign business opportunities
3. Limited information to locate/analyze markets
4. Inability to contact potential overseas customers
5. Obtaining reliable foreign presentation
6. Lack of managerial time, skills and knowledge to deal with internationalization
7. Inadequate quantity of and/or untrained personnel for international markets
8. Difficulty to manage prices and costs at foreign markets (cost of operation, competitor prices etc.)
9. Lack of home government assistance/incentives
10. Excessive transportation/insurance costs.

This list points out the challenges that most SME have in their international operations. Giving more advantages to competitors by sending untrained and unprepared staff abroad is not an option for SMEs. Unfortunately this is often the reality.

### **1.3 Thesis topic, PO and PTs**

The thesis topic is strategic expatriate management for SME managers. Expatriate management and international human resource management itself is a topic that has lot of material available about it, but not much from the SME perspective. Other problem with this topic is the extents of the available material, too much to read and not enough time. The objective of this thesis process was to create a more readable guide about the topic of expatriate management for SME managers. A guide that is not too long to read, but still has enough information, so SME managers can use it as a reference for their own business specific expatriate strategies.

This thesis process was divided in six steps that needed to be completed for successful thesis outcome.

1. Personal expatriate experience gaining
2. International business administration studies
3. Books research on the topics of international human resource management
4. Thesis report writing
5. Thesis outcome writing
6. Thesis outcome publication.

## **1.4 Project scope**

Project scope for this thesis was limited to study of second hand sources about strategic management, expatriate management, change management, cross-cultural communication and work wellbeing, including its affects to employee motivation and general business results. The project outcome, introduction also includes my personal experiences as an expatriate. These from the research perspective cannot be seen as a valid research results about the expatriation, but can offer an insight to some parts of expatriation that are not so easy to see from the outside.

The outcome of this thesis process is limited to less than 50 page long introduction guide for expatriate managers in SMEs. Two main criteria for the outcome were readability and relevance. No one can be an expatriate management expert after reading 50 pages on the topic, but having this knowledge can help in the beginning.

## **1.5 International aspect and project beneficiaries**

Important part of international business management is managing international employees. Expatriates are a specific group of international employees. Expatriate by the definition are people that work outside their home country, where they have their own cultural roots.

Knowing more about managing them can help anyone interested about international human resource management. It can be beneficial to their managers, expatriate themselves and also to people that work with expatriate, but are not expatriates themselves.



## 1.6 Key concepts

This thesis consists of five key concepts that are shortly described in this chapter; small and medium-sized enterprise, strategic management, expatriation, change management and cross-cultural communication. Further information about these concepts is presented in the following chapters of this thesis report.

**SME (Small and medium-sized enterprise).** European Commission definition for small and medium-sized enterprises (SME) has two criteria; number of employees, less than 250 employees, and financial size of business, maximum of €50 million on turnover or € 43 million on balance sheet. This definition is further divided to three sub-categories shown in following table. (European Commission 2013a)

Table 1: SME definition categories by European Commission

Company category	Employees	Turnover <b>OR</b>	Balance sheet total
Medium-sized	<250	≤ € 50 million	≤ € 43 million
Small	<50	≤ € 10 million	≤ € 10 million
Micro	<10	≤ € 2 million	≤ € 2 million

In Finland SMEs make 99.8 % of total amount of enterprises and employ 64.4 % of the total employees in country, which makes those very important for the Finnish economy (Statistics Finland 2013).

**Strategic Management.** The definition for strategic management in this thesis is defined by the model presented in book “Strategic Management in Action” (Coulter 2010). This model includes four steps; situation analysis, strategy formulation, strategy implementation and strategy evaluation. The model and its application to expatriate management are presented in more detail in the following chapter 2 and in the thesis outcome “Attachment 1”.

**Expatriate.** Expatriates are “employees who are transferred out of their home base into some other area of the firm’s international operations” (Dowling & Marion & Allen, 4).

**Change Management.** Change management in organizational perspective can be defined as “the process, tools and techniques to manage the people-side of changes to achieve the required organizational outcome” (Creasey 2013). Change itself is a natural part of any expatriate’s life, but managing it can help in reducing the negative effects of expatriation to individual employees.

**Cross-Cultural Communication.** Cross-cultural communication can be defined in short as a “communication between people whose cultural perceptions and symbol systems are distinct enough to alter the communication event” (Samovar et. al. 2007.). Cultural differences between people come from variety of sources. “Communication between cultures” lists five main sources for cultural differences, history, religion, values, social organizations and language (Samovar et. al. 2007.). Model for cross-cultural communication is presented in chapter 2.5.1.

## 2 Theoretical framework for the thesis outcome

The following chapters will present the theory behind the thesis outcome. This theory has been collected from many different publications and studies on about international human resource management and cross-cultural communication.

### 2.1 Strategic management

Strategic management is a continuous management process, where current situation is analysed, a strategic approach to the situation is selected, this strategy is implemented and after the implementation the effectiveness of that strategy is analysed and the original strategy is then adjusted accordingly. Following figure present the evolvement cycle for a business strategy. (Coulter 2010, 5.)

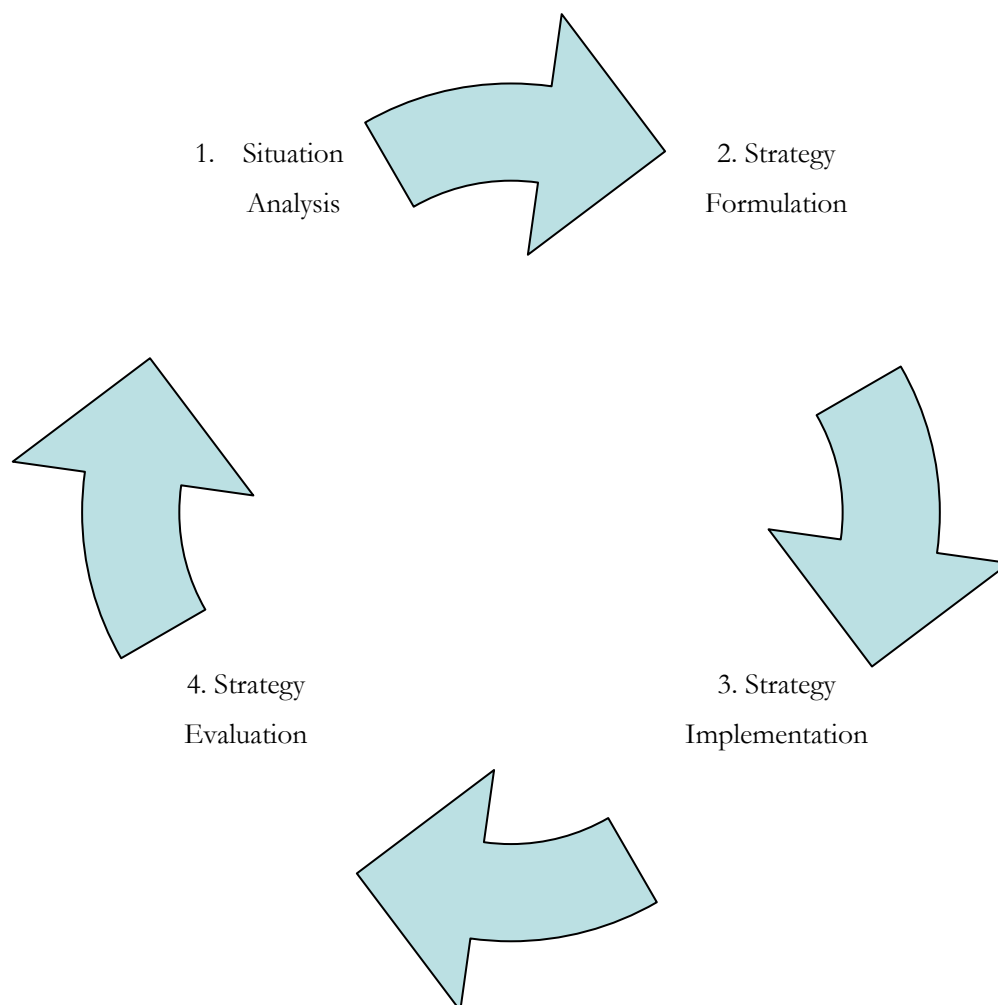


Figure 1: Strategic Management Process (Coulter 2010, 6)

The circular nature of the strategy creation process makes it possible to adjust the strategies at any time a change in the strategy or its implementation is needed. Gary Hamel points out in one of his latest publications importance of management innovation and the organizations capability to adjust as one of leading competitive advantages of any organization (Hamel 2007, ix-xi). This principle can also be applied to expatriate management. By making expatriate management a systematic process instead of random coincidence can help any SME in their international operations. It makes the organization also less vulnerable to external changes as analyzing external environment is taken as a part of daily business activities.

## **2.2 Change management**

Change management is a process of organizational change, where the negative effects of the change process are taken in account and systematically reduced. Dr. John P. Kotter's finding in his study about organizational changes was that 70% of major organizational changes fail due to steps ignored in the change process (Kotter International 2013). From these research findings Kotter developed an 8-step process for organizational changes that would take in account the change resisting factors in the process (Kotter 2012). These steps were created to lead the change systematically instead of just coping with the effects of the change. The 8-steps are (Kotter International 2013 & Kotter 2012):

1. Establishing a Sense of Urgency
2. Creating the Guiding Coalition
3. Developing a Change Vision
4. Communicating the Vision for Buy-in
5. Empowering Broad-based Action
6. Generating Short-term Wins
7. Never Letting Up
8. Incorporating Change into the Culture.

The change leading theory by Kotter was developed to effectively execute major changes in organizations, but it can be also applied to changes in smaller scale as same change resisting factors exist also in these situations. The steps 1-4 and 6 are emphasized the change management on a personal level for an expatriate and the steps 5 and 7-8 affect more on the organizational level.

The necessity for change leadership also in SMEs is also emphasized in work wellbeing guide for SMEs by the Finnish research and training institute, Synergos. One of the instructions in the guide is that any major changes should be planned well ahead and all participants should be included as soon as possible, which in same line with Kotter's instructions. They also emphasize that it is important to justify any changes as well as to communicate about the execution and meaning of changes to individuals. Room for discussion about the change should be given, so possible questions, fears and resistance for the change could be addressed. Without the discussion the change resisting factors might never surface. In change process it is important to remember that any change is differentiation from status quo and as such can cause possible cause for conflict. As people are human enough time for the change implementation should be also allowed. (Manka et. al. 2010, 44.)

Change is an evitable part of an expatriation process, but how it is managed can affect greatly the affects of it. Coping with any changes is easier, if the change is expected and enough time is given to prepare for the change situation. The two major change phases in expatriation are around the deployment and the repatriation as both require greater amount of adjustment from the expatriate.

### **2.3 Expatriation**

Expatriate is an employee, who is transferred out of their home base into some other area of the firm's international operation (Dowling & Marion & Allen, 4). Expatriation is the process, where expatriates are used in international assignments. It involves all the steps from expatriate selection to repatriation after the assignment.

### 2.3.1 International assignment process

International assignment is a process that has three steps; selection/preparation, actual assignment and repatriation at the end of the assignment.

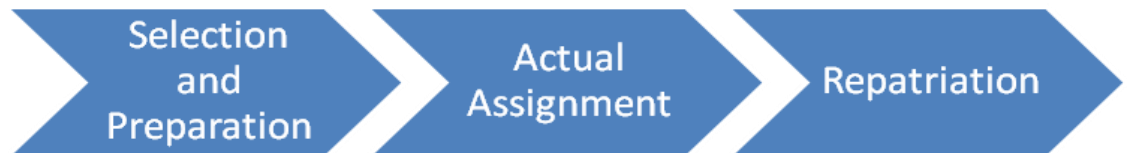


Figure 2. International assignment process (Harzing et. al. 2011, 204)

From the human resource management perspective all of these steps are different and require different approach from the managerial perspective. First step is about finding the right person for the task and preparing him or her of the assignment. Second steps is about maintaining contact with the expatriate during the assignment and the last step is about making the expatriates return possible on business and personal level for the expatriate. The management perspective is further discussed in the following chapters.

### 2.3.2 The roles of an expatriate

Dowling, Festing and Allen list several possible roles for expatriate in their book about “International Human Resource Management” (Dowling et. al. 2008, 92-96). They use the roles to define the types of actions an expatriate is expected to perform during his or her international assignment.

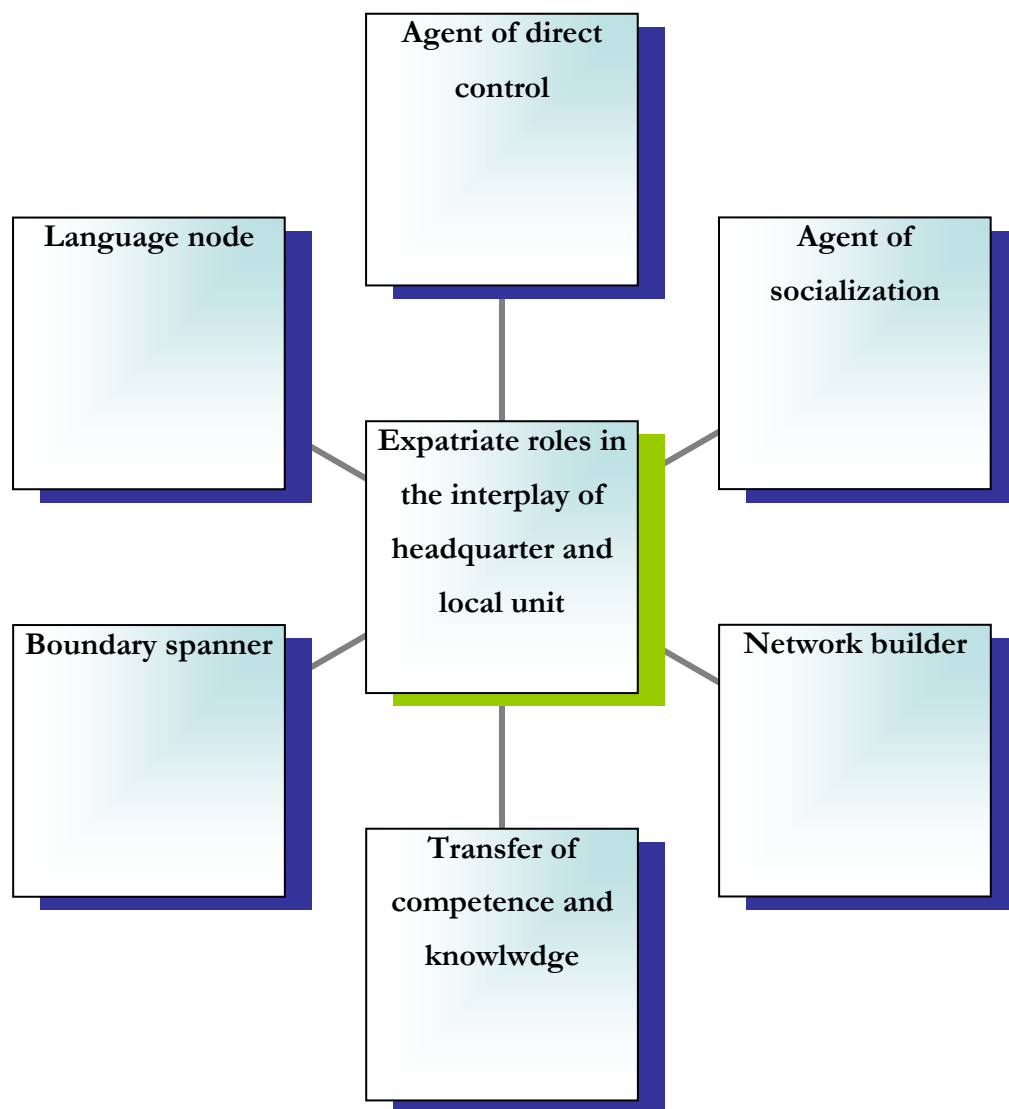


Figure 3: The roles of an expatriate (Dowling & Festing & Allen 2008, 92)

**Agent of direct control** is a role, where expatriate is expected to be in control of the international operation in a specific country or part of it. He or she acts as the controlling unit for the home office his country of deployment.

**Agent of socialization** is a role, where expatriate is not taking direct control over the international operations, but is working more on the non-financial management side of the business. His or her tasks can be related to spreading knowledge between the home office and the international unit. This can involve company practices, spread of knowledge as well as sending useful information about operations abroad.

**Network builder** is a role, where the expatriate performs as a creator of social capital. He or she forms personal and professional networks in his or her country of deployment and with the head office at home country.

**Transfer of competence and knowledge** is a role, where expatriate is expected to transfer his or her professional competence and knowledge to other professionals in the country of his or her deployment. This can involve technological knowhow as well as other business knowledge to local business unit or business partners.

**Boundary spanner** is a role, where expatriate is expected to work on information gathering and promotion in his or her host country. This can involve for example participation to social event, where new social contact can be created and market information can be gathered. The promoting can involve exhibition, social event and other occasions, where knowledge about the company and its services can be spread to others.

**Language node** is a role, where expatriates knowledge of host country language is used to translate material to host country language or the opposite. This role is not always intended and can be initiated also by the preference of the host country personnel preferring to communicate in their own language.



### 2.3.3 Duration of expatriation

The duration of an expatriate assignment can vary from few days to several years. For the purpose of understanding the time affect of these assignments it is useful to define different types of expatriate assignment durations. Dowling, Festing and Allen define the duration of expatriate assignment as following (Dowling et.al 2008, 90).

**Short-term** assignment lasts up to 3 months. These can be specific task related or problem solving type and are usually used in project related situation.

**Extended** assignment last up to 1 year. These usually involve similar tasks as the short term assignments, but last longer for the nature of the tasks.

**Long term** assignments vary from one year to several years. These usually involve a clear role for the expatriate in the receiving operations.

**Commuter** assignment is a variation of different lengths of assignment in various countries. This can involve bi-weekly changing of country for the expatriate or can be caused by a seasonality of the business. This seasonality can be caused for example by the seasons of the year or other phenomenon that dictates that the business operation can be performed during a certain period of the year.

### 2.3.4 Culture shock and need for information

A commonly used concept to describe the changes and stress caused to a person by moving to unfamiliar culture is culture shock. The concept can be described as a shock caused by moving to environment that is culturally markedly different from persons own culture. The experience of culture shock is individual, but it can show as psychological disorientation with various symptoms like (CESA 2010. & Sinkonen)

- homesickness
- boredom
- withdrawal
- excessive sleep
- compulsive eating/drinking
- irritability
- stereotypes about host nationals
- hostility towards host nationals.

Other symptoms can also be (Lehtonen 2009)

- avoiding dealing people from other than own home culture
- overreactions as aggressions, bitter feelings and insults that would not occur under normal conditions
- feelings of losing own identity
- sleeplessness

Culture shock or affects of large scale changes in personal life is very hard to avoid as it is a natural part of human psychology and is a needed process to adjust to local cultural environment. Even it is often seen and felt as negative reaction, on a personal level culture shock can be a learning experience and if considered as positive can help to learn new customs, values and attitudes towards life (Saviaro & Hellaniemi 2005, 77). The different phases of culture shock with their relation to the relative information needs of the expatriate are shown on the figure 4.

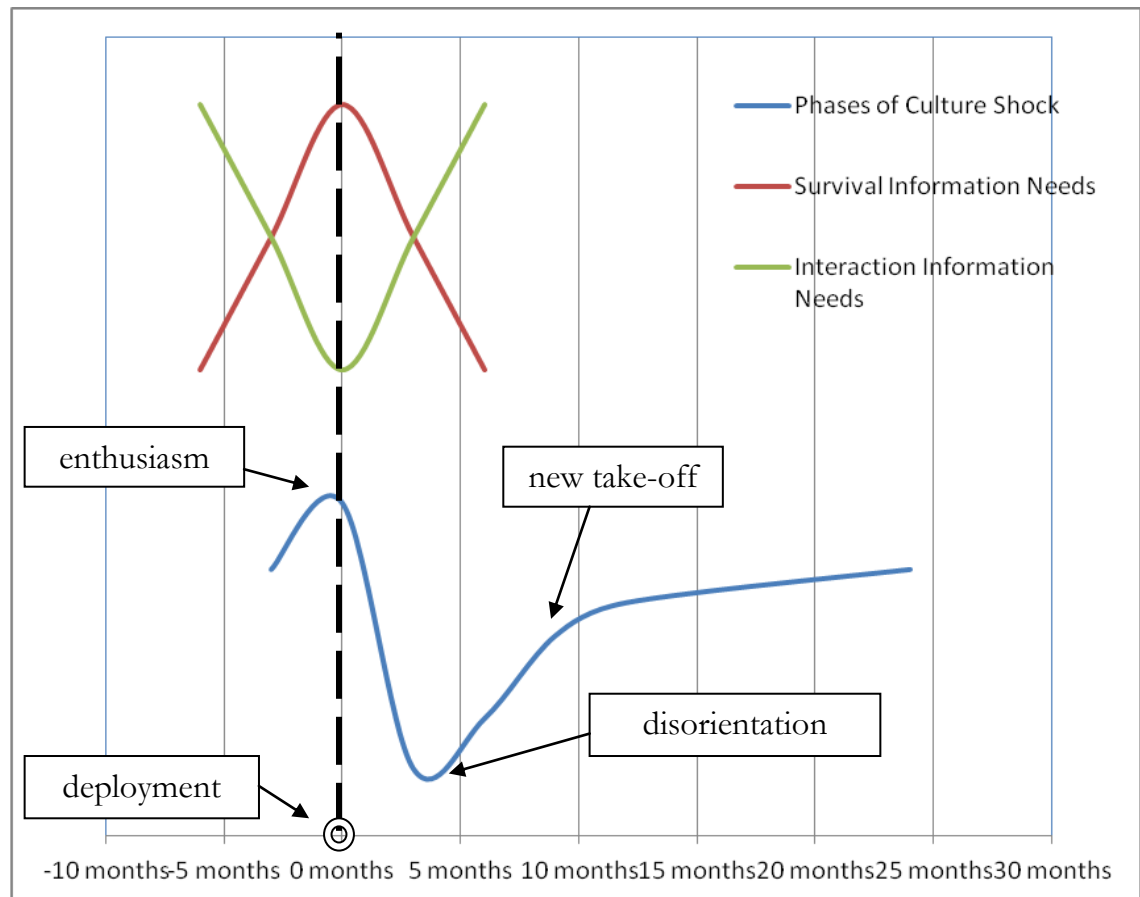


Figure 4: Collective culture shock and relative information needs for expatriate (Feichtinger et.al. 1998 and Weaver 2002 & Gydukunst 1983)

In this curve the initial phase is the enthusiasm caused by knowledge of new assignment in new culture. After the initialization phase in the new culture the realities in the new country start to set in and the most symptoms of culture shock also appear. After this the worst symptoms usually disappear, but the adjustment fully to foreign culture can take a long period of time. Similar process is also possible on repatriation after the foreign deployment, when the expatriate is forced to adjust back to the domestic culture of his or her home nation. This is the general theory on culture shock, but there are also people, who are accustomed to continuous changes in cultural environment and do not necessary show these symptoms of cultural shock (Lehtola 2009, 14-15.).

The affects of the culture shock can be also seen on the information needs for the expatriate. Closer the day of deployment is less interested the expatriate will come about intercultural skills and more interested about the survival information about the target country. (Weaver 2002 & Gydukunst 1983)

### **2.3.5 Expatriate failure**

Expatriate failure as definition means premature return from an assignment abroad. This failure can be caused for example by an expatriate selection error combined with poor expatriate management policies. In a wider sense also underperformance during assignment can be considered as an expatriate failure. (Dowling et. al 2008, 112-113.)

Even early return of the expatriate the common definition for expatriate failure it does not always mean that the expatriate has failed in his or her assignment. The main causes reported for early return of an expatriate are the following; family concerns, accepted new position in the company, early completion of an assignment, cultural adjustment challenges, security concerns and career concerns. As these reasons point out the concept of expatriate failure has more dimensions than its definition would suggest (Dowling et. al 2008, 114). In the definition early return of the expatriate for any reason is a failure, but is this the case, if the other option is to risk the safety of the expatriate in a politically volatile situation abroad?

### **2.3.6 Requirements for an expatriate**

Expatriates role in a particular culture depends on his expected role and position in the culture that he or she is send to work in and the local cultural expectations for his role. In more hierarchical working cultures employees and managers are expected to act accordingly to their social status or position in their organization and the importance of relevant status is highlighted. Sending a junior engineer in to Japanese executive meeting might not be seen as very favorable. In more egalitarian societies like Nordic countries more equal communication styles are usually used, but in most organizations the managers have position that should be treated with respect. Even in Finland, which has one of the most egalitarian cultures in the world (Steers et. al 2011, 65), it is better to send a person of relevant position to meet the key client's managers (Mercuri International 2010-2011).

As a regional perspective the management skill requirements in Asia Pacific for an expatriate depend on the development stage of the company in the region and the individual characteristic of the particular country of operation. For example mastery of

local language is seen as high importance in China and Korea. In Japan, Indonesia, Thailand and Vietnam it is somewhat important and in Hong Kong, Philippines, Singapore, Taiwan, Malaysia and India knowing local languages is important, but not as much as other managerial skills. (Lasserre 2006, 269-270.) Cultural understanding is very relevant to expatriates working in China, Japan, Philippines, Malaysia and Thailand that have strong local cultural identities. In Korea, Indonesia, Taiwan, Vietnam and India local culture is important, but not with such a high importance. In Singapore and Hong Kong, which have long international history first as British trade posts and later as part of British overseas colonies (Sivonen 2006) more international approach to cultures can be applied, but they still have significant nationalistic characteristics in the cultural groups. In Singapore you can see clear cultural features even in the location names like Little India and Chinatown. (Lasserre 2006, 270.)

In China understanding of local political context and subtleties is very important as we as in Malaysia, Philippines, Vietnam and India, little less so in Indonesia, Korea and Thailand. In Hong Kong, Japan, Singapore and Taiwan it is not seen as that important, but can become a problem as a red tape, if company in working on a politically sensitive are of business. (Lasserre 2006, 270.)

Generally the most important character of the expatriate is his professionalism on his field of business. This means that it is not just enough to just have the knowledge and expertise on the expatriate's field of business, but it is important to be able to show and demonstrate this in a logical way to the local contacts and business associates. This professionalism is seen as very high importance in Japan, Korea and Taiwan and India. In other countries of Asia Pacific it is seen as important. (Lasserre 2006, 270.) From a personal experience of the author of this thesis, showing professional approach to one's own field business and capability apply it to the local context is one of the most important ways to earn the respect of local business partners.

There is no one requirement for any particular country or culture or field of business. The requirements expatriate depend on all of these and selecting the most important ones of the requirements depends on a analysis of the country, its cultural dimensions and the level of local knowledge required to perform the expatriates intended tasks in

the local context. Sending a junior engineer to perform a technical task abroad without training might be a good strategy for a moment, but doing that to create new market opportunities might not be as efficient.

Dowling, Festing and Allen present the following chart for the selection factor in expatriate selection.

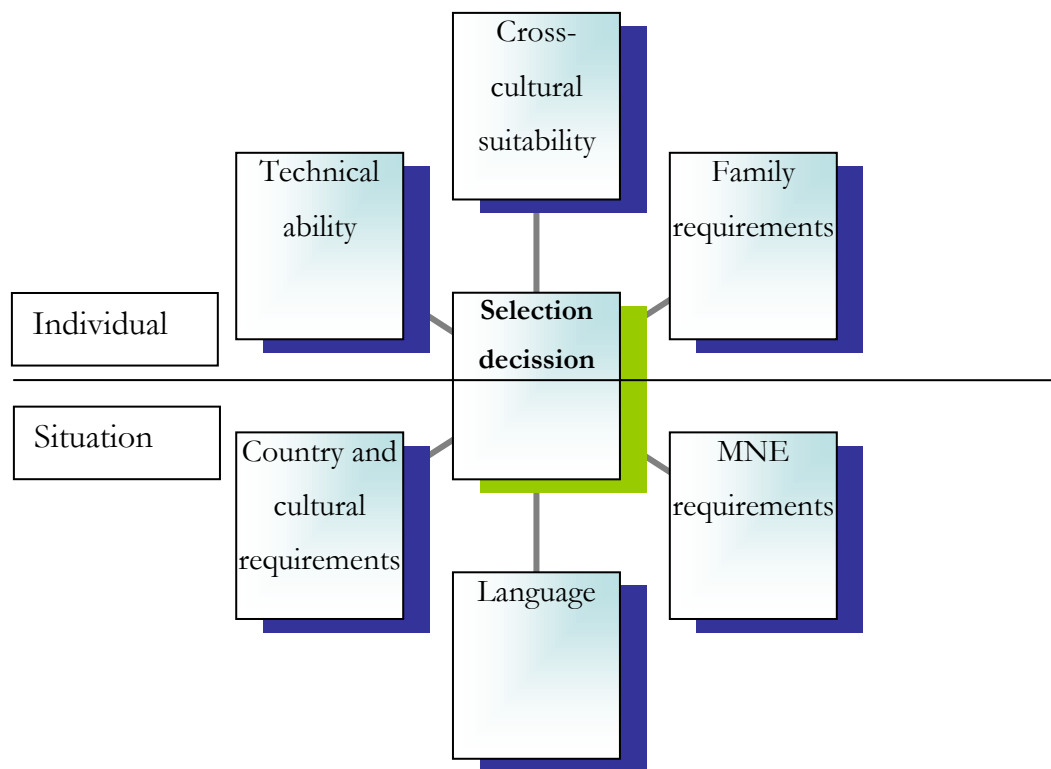


Figure 5. Factors of expatriate selection (Dowling et. al. 2008, 119).

## **2.4 Cultural belonging**

Cultural anthropology is a field of science that studies the development of cultures in their relation to ethnographic, linguistic, social and psychological differences. There are many different theories about cultural belonging and the perspectives to the subject vary on the data and research groups that participate on the studies. For the simplicity of the concept, people can be seen as part of different cultural groups, which can be for example (Vakkuri 2008.):

1. A national culture to ones country of origin or country of living
2. A regional, ethnic, religious or linguistic culture
3. A gender culture – men/women
4. A generational culture
5. A social class, family, friends etc.

Combination of these factors and their relevance to the person affect the person's own view of the world, his or her behaviour and also how he sees other people around him or her.

## **2.5 Cross-cultural communication and management**

This chapter is about cross-cultural communication patterns and some of the challenges involved in communication between people from different cultural backgrounds. Cross-cultural communication and management differ quite significantly from communication and management between people from one cultural environment.

### **2.5.1 Cross-cultural communication**

Cross-cultural communication is a situation, where two or more people communicate in a situation, where their cultural perceptions differ enough to cause possible differences in communication and receiving the communicated message. Cross-cultural management is a situation, where the other communicator is a managerial position for example, because of his organisational or project status. Model for cultural influences for communication process is presented in figure 6.

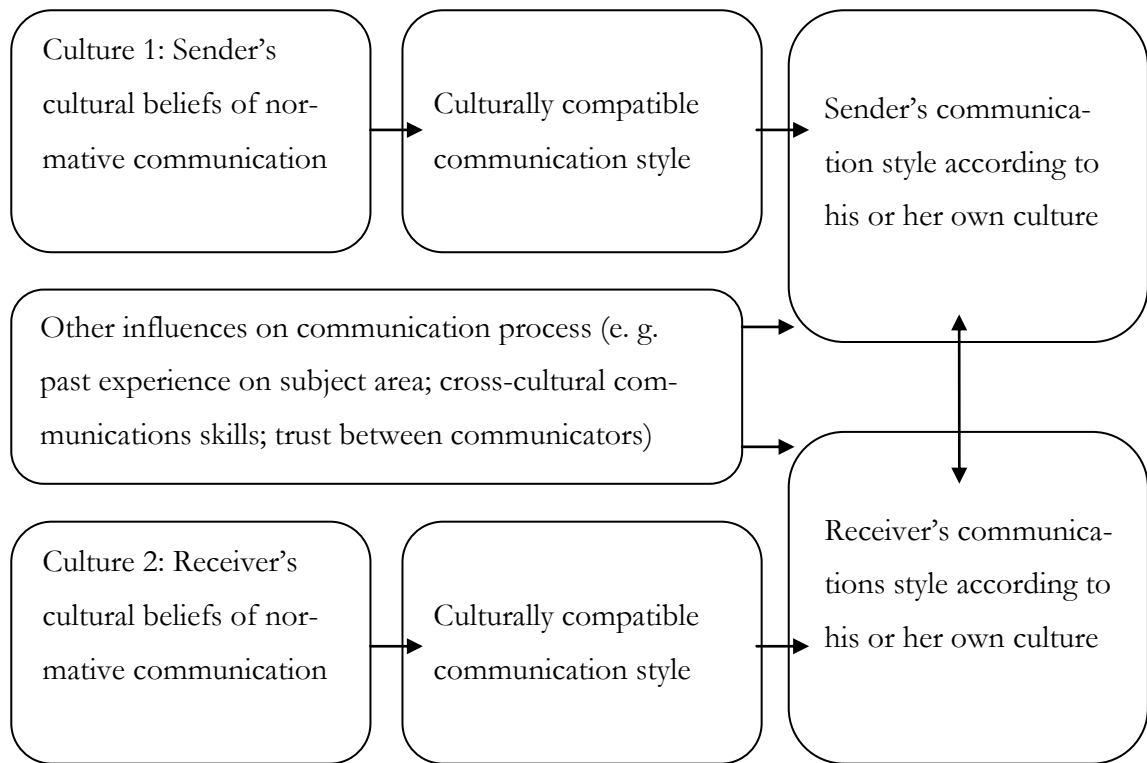


Figure 6: Cross-cultural communication process (Steers et.al. 2011, 202).

In cross-cultural communication process the sender and receiver culture can have a significant effect on how a message is send by the sender and received by the receiver. This can also affect the response to the original message, if the contest of the original message is misinterpreted, because of cultural differences in the communication style. The risk of misinterpretation is higher in situation, where the cultural views of the sender and receiver differentiate more from each other. This can be for example in situation, where a person from European culture tries to communicate with a person from Pacific Asian culture, and neither have previous experience from other cultures. Usage of intermediate communication method, like email, can raise the risk for misinterpretations, because the verbal and visual messages are not available to confirm the contest of the message. This is something that should be remembered, when sending business messages without direct mean of communication. (Steers et. al. 2011, 201-238.)



## 2.5.2 Cultural differences

One of the widest studies on cross-cultural relativity on organizational practices and theories was made by Geert Hofstede in the early 1980s. The study included 4 major aspects of cultural difference in organizational practices among 50 different countries and cultures. (Hofstede 1983.) Hofstede added a fifth dimension to the model later of after doing more research with Michael Bond (Steers et. al 2011, 412).

1. Individualism vs. Collectivism
2. Large or Small Power Distance
3. Strong or Weak Uncertainty Avoidance
4. Masculinity vs. Femininity
5. Long term vs. Short-term orientation

The countries included to Hofstede's original research study were Arab countries (Egypt, Lebanon, Libya, Kuwait, Iraq and Saudi-Arabia), Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Colombia, Costa Rica, Denmark, East Africa (Kenya, Ethiopia and Zambia), Equator, Finland, France, Great Britain, Germany, Greece, Guatemala, Hong Kong, Indonesia, India, Iran, Ireland, Israel, Italy, Jamaica, Japan, South Korea, Malaysia, Mexico, Netherlands, Norway, New Zealand, Pakistan, Panama, Peru, Philippines, Portugal, South Africa, Salvador, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Uruguay, United States of America, Venezuela, West Africa (Nigeria, Ghana and Sierra Leone) and Yugoslavia.

Some of the original countries in this research have ceased to exist and some cultural differences have been evolved in the last 30 years. For example in Japan the position of women in society has seen changes between 1970s and 21<sup>st</sup> century (Jacobson & Sarvimäki 2001). Even with part outdated data most principles in Hofstede's study can still be seen as valid as most cultures have been created during hundreds or thousands of years and few decades is too short period of time to change core cultural dimensions.

Several other dimensional models of cultures have been created by other researchers, like Clyde Kluckhohn and Florence Strondbeck, Edward T. Hall, Fons Trompenaars, Shalom Schwartz and Robert J. House leading the GLOBE study (Global Leadership and Organizational Behaviour Effectiveness). Each of the cultural dimension models represent a bit different approach to the cultural dimensions and for this reason the usability of each model depends on the situation and application it is used. The different cultural dimensions listed in these models can be read from Attachment 2. (Steers et. al. 2011, 411-419.)

In “Management Across Cultures” these models combined and 5 cultural dimensions were selected to present cultural dimensions in the managerial perspective (Steers et.al. 2011, 57-59.). These five dimensions are listed below.

- |                                    |                                    |
|------------------------------------|------------------------------------|
| 1. Power distribution:             | Hierarchical vs. Egalitarian       |
| 2. Social relationships:           | Individualistic vs. Collectivistic |
| 3. Environmental relationships:    | Mastery vs. Harmony                |
| 4. Time/work patterns:             | Monocronic vs. Polycronic          |
| 5. Uncertainty and social control: | Rule-based vs. Relationship based  |

These core cultural dimensions for major cultural regions in the world have been discussed in the following chapter.

### **2.5.3 Central tendencies of core cultural dimensions across some regions**

No culture is the same and cultural differences can also exist within a larger cultural regions or group (Steers 2009). Good example of such variation can be seen in India and China, where cultural minority groups can create subgroups with several millions of people (Haaga-Helia 2009). Even these differences exist it is still possible to group some cultural similarities to larger core groups. It should be kept in mind that these groups do not necessary represent every group of people in a specific country and as such should be only used as a general reference. Core cultural dimension within major cultural groups of the world are represented in the following table. (Steers 2011, 64-75.)

Table 2: Central tendencies of core cultural dimensions across regions (Steers 2011, 65)

<b>Country clusters</b>	<b>Power Distribution</b>	<b>Social Relationships</b>	<b>Environmental relationships</b>	<b>Time/ Work patterns</b>	<b>Uncertainty and social control</b>
Anglo	Moderate egalitarian	Strongly individualistic	Strongly mastery-oriented	Strongly mono-chronic	Moderately rule-based
Arab	Strongly hierarchical	Strongly collectivistic	Moderately harmony-oriented	Strongly polychronic	Strongly relationship based
East European	Moderate hierarchical	Moderately collectivistic	Moderately mastery-oriented	Moderately mono-chronic	Moderately relation-based
East/South-east Asia	Strongly hierarchical	Strongly collectivistic	Strongly harmony-oriented	Moderately mono-chronic	Strongly relationship based
Germanic	Moderate egalitarian	Moderately individualistic	Moderately mastery-oriented	Moderately mono-chronic	Strongly rule-based
Latin American	Moderately hierarchical	Moderately collectivistic	Moderately harmony-oriented	Strongly polychronic	Strongly relationship-based
Latin European	Moderately hierarchical	Moderately collectivistic	Moderately harmony-oriented	Moderately polychronic	Moderately relationship based
Nordic	Strongly egalitarian	Moderately individualistic	Moderately harmony-oriented	Moderately mono-chronic	Strongly rule-based
Sub-Saharan	Moderately hierarchical	Strongly collectivistic	Strongly harmony-oriented	Moderately polychronic	Strongly relationship based

This model is based on the five criteria defined in the previous chapter; power distribution, social relationships, environmental relationships, time/work pattern and uncertainty and social control. Different categories defined in more detail below. (Steers 2011, 60.)

**Power distribution** can be either hierarchical, which means that the power is usually on the top of the decision making pyramid, or it can be egalitarian (decentralized), which means that the power is distributed more equally in organization and the decision are made on more as uniform decisions.

**Social relationships** in a culture can be either individualistic, which means that individual achievements are appreciated and people tend to see themselves as individuals, or collectivistic which means that people usually see themselves as part of large combinations and group achievements are valued over individual achievements. Maintaining group harmony is important part of many collectivistic cultures.

**Environmental relationships** has two opposites that are mastery-orientation, that means that people perceive to have control over nature, and harmony-orientation, which means that people see themselves as a part of nature and maintaining harmony with it is important.

**Time/Work patterns** have opposite dimensions that may also cause trouble, when two opposite time concerns conflict. First dimension monochronic, which means that people see consider time and work as continuation from point A to point B. The opposite of that is polychronic time conception, which usually means more flexible approach to time and multiple tasks at the same time. This can cause conflict in cases, where a person for example from Finland (Nordic culture, moderate monochronic) has to deal with business colleague from Latin America (Latin American culture, strongly polychronic).

**Uncertainty and social control** in culture can be either rule-based or relationship-based. Rule-based cultures tend to have more legal norms and people see obeying social and legal norms as a critical part of society. In relationship-based cultures legal and social norms are important, but the importance can vary on the social status of people and more powerful individual might be able to bend the rules more than.

#### **2.5.4 Cross-cultural team work and management**

Cross-cultural teamwork is situation, where people from different cultural backgrounds are required to work together. This can lead to some unexpected situations, if the challenges of this situation are not taken under consideration. (Govingdarajan et. al. 2001.)

Godvindrajan and Gupta studied 58 international senior executives from five U.S. and four European multinational enterprises and found out that the most critical challenges in global teams are cultivating trust among members, overcoming communicational barriers, obtaining clarity regarding objectives, aligning goals of individual team members and ensuring team knowledge and skills. This was also the order of significance evaluated by the team executives. As the most difficult to accomplish were the trust cultivation, overcoming communication barriers and aligning the individual team members for individual team members. (Govingdarajan et. al. 2001.) As this study was done only to executives in larger enterprises its validity on SMEs can be questioned, but it still shows that adding the cross-cultural factors to team work can make it more challenging.

The ideal role of manager is also culture relative and one cultures view of a particular manager might be totally different in another culture (Sae 2005, 39-42). Managers from similar cultural background usually have similar perspective of their own role in organization, but between different cultural groups these role perceptions can have almost opposite definitions. This has been found from studies, where Western and Asian managers have been questioned about their roles in organization. Cultural background can also affect the management's way of associating information as some cultures value factual information and other cultures might value information in relevance to the events or particular person status in the society. (Steers et. al. 2001, 91-96.)

Cross-cultural management is a situation, where a person of one culture is trying to manage a person or a group of people that have different cultural backgrounds. This situation combines manager's and the employee's own cultural perspectives to a situation, where miscommunications and misunderstandings are very likely to happen

unless the communicational difference and both cultural perspectives are not taken underconsideration. This can lead to frustration and other negative effects. (Steers et. al. 2011.)

#### **2.5.5 Business communication in multi-cultural context**

Most people working in sales are aware that effective business communication requires skills, practices and background knowledge of the topic. People are different and one communication style that works with one customer might not be as effective on another. Talented sales persons are able to adjust their message to target audience, so that the message is understood and the most important sales points to the customer are clearly presented in the message. This requires knowledge of the target audience as well as skills to adjust the message, so it is understood at the level of the customer. (Mercuri International 2010-2011.) Same principle can be applied to communication with other cultures, but it requires a more thorough study on the subject as interpreting the messages in communication with one cultural perspective is not enough.

In multicultural environment business communication can be more challenging as an effective style of communication in one culture can be seen as inefficient in another. In multicultural context it is important to adjust the message and the style of delivery in the context of the participants in the discussion, especially in the reflection of their cultural background and previous experience of other cultures (Lehtipuu 2010. 17). This is called cultural intelligence, which can be defined as a set of skills (language or interpersonal skills) and personal qualities of the communicator (tolerance of ambiguity and flexibility) that a person of such intelligence is able to apply while communicating with people from other cultural backgrounds. (Lehtipuu 2010 & Peterson 2004, 84).

## **2.6 Expatriate on managerial level and affect of expatriation to the expatriate**

On a managerial level expatriation is a combination of human resource management and financial management. The employee's sustainability for expatriation and the costs involved in it should be considered on several aspects (Reuvid 2009, 16-17).

1. Salary and benefits during the expatriation
2. Long-term benefits, like pension and unemployment payments
3. Career development of the expatriate
4. Job security at the return from deployment
5. Family and other commitments that the expatriate has at home country
6. Possible stress caused by the expatriation
7. Language skill requirements in the deployment country
8. Other personal circumstances affecting the expatriate, like unfinished studies
9. Costs and benefits evaluation for the total cost of expatriation
10. Cultural integration capabilities of the expatriate and his intended country of deployment.

These are factors that can be defined at some level of ease, but should not be left out of total strategic consideration, especially if the enterprise has long-term business plans in the country, where the expatriate will be assigned. In sales the customer experience for a company tends to personalize on the sales persons that the customer meets (Mercuri International 2010-2011) and this applies also to expatriates that an SME decides to send abroad.

### **2.6.1 Research on mental health affects of expatriation**

A recent research by Luciana Duque was done expatriates working for Finnish companies in Brazil. The research included 121 expatriate employees from 17 different enterprises and studied mental health effects of expatriation to the expatriates and their spouses. The research was done to the expatriates after the 3 months initialization phase and as such does not show result from the first disorientation phase while working abroad. The nationalities of the expatriates were Finnish, Swedish, Danish, French, Italian, American, Indian, Argentinean, Australian, British, Czech, German, Peruvian,

Swiss and Venezuelan. Half of the expatriates in the study were Finnish, but the result for all participants showed similar patterns (Duque 2009, 113). From the research results some central themes emerged for the expatriates.

For expatriates the expatriation was the work abroad. Adjustment, positive experiences and challenges all happened at work and life outside work was for free time and holidays, time to relax. Even with the difficulties and challenges most expatriates saw the expatriation process as positive experience. Some of the causes for strain were longer working days, need to do many things in a short period of time and the expectance to work as much as possible. Pressure factors included also deadlines for work, communication difficulties, cultural differences and structural shortages in local organizations, but still the general job satisfaction for the expatriates was better abroad than in home country. Even with the structural and cultural challenges abroad the job satisfaction from job recognition and the possibility use creativity at tasks in hand were to overcome the negative effects of poorer working conditions. This in itself revealed an interesting aspect that job satisfaction has less to do with working conditions than it has on positive work recognition and possibility to affect personal work results. Most expatriates the greatest reward was to accomplish difficult tasks with few resources and experience gratification from doing so. The more challenging environment usually also meant that same structural process that were used at headquarter had to be adjusted to local situations as communication and cultural differences did make using them possible. The whole complexity of the situation required more creative thinking from the employees, required them wider perspective of the whole organization and also independency at work. To put this all together, with more complex and challenging working environment and with more room to use their own creative thinking the expatriates were actually happier at work. (Duque 2009, 119-121.)

Even most expatriates in the study found the expatriation itself to be a positive experience there was one thing that got most of them to worry. That was the possible repatriation at the end of the assignment. Most expatriates estimated that the repatriation process would be more difficult than the adjustment to the local culture abroad. One of the reasons was the anticipated reduced desire, when returning to home country. Some of the challenges in moving back to home country were caused also by reduced



salary, position at work and uncertainty of future career at home country. Longer the expatriation itself lasted harder it was usually for the expatriate to repatriate to his or her home country. (Duque 2009, 127-129.)

### **2.6.2 Recommendations for international work traveling**

The Finnish Institute for Occupational Health conducted an extensive research study about work related health effect between 2008 and 2010. The research was conducted in several phases and results for over 1500 people participating in the questionnaires were analyzed. Out of these results the research group formed several recommendations for promoting the positive effects of work related travel and for reducing the negative effects of it. (Bergbom et al. 2011, 94-95.)

Enabling resources to be promoted:

- Possibility to affect travelling (travel times, amount and possibility to deny from a trip without negative response at work place)
- Improving the comfort in travelling (lounge possibility, more convenient routing etc.)
- Paying attention to free time during work related trips (exercise possibilities at hotels, promoting of recreational activities during travel etc.)
- Improving of travel arrangements and practices to more well-being promoting (Are travel related accounting processes source for strain or comfort?)
- Promoting life style towards health improving direction (balance between work-free time and exercise)

Stress factors should be minimized:

- Sustainable balance between work, travel and other aspects of life
- Stress caused by work and travelling and free time to recover from them
- Risk of overloading expatriate with work
- The feeling of injustice caused by the loss of free time

The responsibilities for work wellbeing are divided as follows.

- **Employee is responsible for his or her own health:** food, stimulants, exercise and other hobbies, culture, social relations and recognition of own boundaries.
- **Company and human resources:** possibilities to organize work and travelling, flexibility on working time, time to recover, travelling conditions on long trips, informing of negative effects of travelling and ways to cope with them.
- **Work wellbeing services:** recognition of health related risks involved in travelling and prevention of them, informing of negative affects and ways to prevent those.

### 2.6.3 Expatriate training – preparing for the cultural outset

Expatriation is a change to any expatriates life and often requires new skills that should be acquired before the deployment. These skills can be further developed during the expatriation, if new requirements emerge or if the expatriate's role during the expatriation changes. If the deployment country is a new cultural environment for the enterprise, all skill requirements cannot be always defined before deployment as enough research material might not be available before the deployment. The level of training and its duration should also be selected based on the similarity of the cultures in country of deployment and the home country of the expatriate.

In cases that the similarity is high and expected communication situations are low less rigorous training can be used. If the requirement for communication situations is high and the level of familiarity in cultures is low more rigorous training is required for the expatriate. (Tung 1981, 68-78). Tung also later revived his research findings and pointed out five areas of concern for the expatriate training (Tung 1998, 23-37) seen on the next page.

1. Training should be oriented towards life-long learning and not towards one time solution
2. Language skills training should be emphasized
3. The cultural competence training should be also emphasized so the expatriate would also have bilingual communication skills
4. Cross-cultural training should be used to manage diversity during expatriation
5. The preview for the expatriate should be realistic

#### **2.6.4 How long expatriate training should last?**

This is a question that does not have a definite answer as all expatriates have different starting levels and some expatriates might already possess some of the required skills in advance due to earlier career experience or traveling. The Mendell, Dunbar and Oddou cross-cultural training model includes three levels of approach to expatriate training (Mendell et.al 1987, 338).

**Information-giving approach**, less than a week, is the shortest version of expatriate training and is able to provide only basic knowledge of the country of deployment like area briefing, cultural briefing, films and books about the country and “survival-level” language training. This means that communication has to be done through interpreter in case the expatriate does not have previous knowledge about the local business language of the country of deployment.

**Affective approach**, 1-4 weeks, is a bit longer training program that can also include more detailed information about the country of deployment and also prepare the expatriate more effectively for the local environment. In this time period it is also possible to do culture assimilator training, role playing of cultural situations, point out critical incidents, show example cases, do training for stress reduction and acquire moderate language skills for the deployment.

**Immersion approach**, 1-2 months, is an approach, where the expatriate is prepared to work almost as locals, but still lacking trust building with locals and this can only be acquired through mutual experience. In immersion approach it is possible to use as-

assessment centers, do field experiments, simulations of business situations, do sensitivity training and extensive language training with nonverbal communication skills.

### **2.6.5 Training before and during deployment**

Key to effective expatriate training is timing it so that it fits the expatriate's own expectations of knowledge (see figure 4) and so that enough time is given to absorb the new information, especially in more detailed training programs. The expatriate's own expectations for required information also affect the willingness to learn new things about the deployment country and its culture.

By the time an expatriate is sent to a country of deployment he or she should have all the relevant information about the country and its culture that is necessary for successful completion of his or her tasks in the country of deployment. As it is not always possible to give all training in advance or the skill requirements for the expatriate can change during the deployment it is important to make it possible for the expatriate to learn more during the assignment. For example advanced language courses in the deployment country can be very useful on longer deployments. Possibility for easier communication with the locals usually also helps with mental aspects of longer assignments as the expatriate is able to create local connections easier.

### **2.6.6 Re-entry to home country**

The re-entry back to home country can be a very stressful situation for an expatriate as it is often associated with several possible negative changes for the expatriate. Many of these reactions are on individual level for the expatriate and for that reason also hard to see from the outside. Dowling, Festing and Engle divided these factors into two categories, job related factors and social factors. Job related reactions can be caused by career anxiety, work adjustment requirements, coping with new role demands and loss of status and pay after re-entry. Social factors are more related to expatriate's personal life and can be caused by family adjustment, social networks in home and deployment country and effects of re-entry to expatriate's partner's career. (Dowling et. al. 2008, 188-198.)

## 2.7 Strategy, change and cross-cultural communication in expatriation

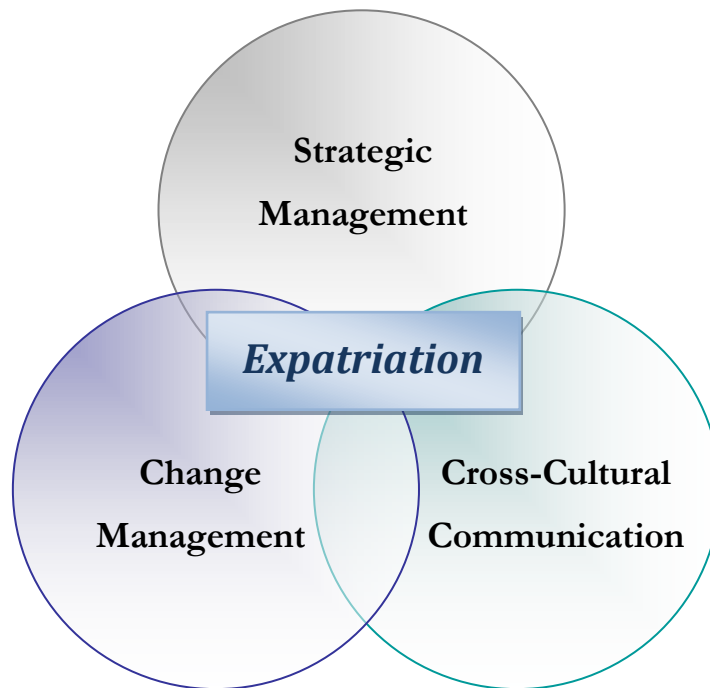


Figure 7: Expatriation, strategic management, change management and cross-cultural communication.

Expatriation is a combination of change, cross-cultural communication and human resource management. Strategy can play a key role in the process of managing it. In the outcome of this thesis these aspects are combined in one guide book, but understanding them all requires practice.

From a personal experience of the author, expatriation is personal and who is mostly affected by it is the expatriate. Expatriation involves a lot of more variables that can be estimated in advance. As a personal advice it can be said that knowing the field of business, the cultural environment and the expatriate personally is a key to success in expatriate management. Forgetting one of these can lead to excellent strategy without implementation or to wrong decisions in a specific cultural environment. Strategic approach helps dealing with this complexity.

### 3 Thesis project plan and implementation

Project plan and implementation plan for this thesis was created during the spring 2010 and the original goal was to complete the process by the summer 2011.

	2011			2012			2013			
Thesis project phase	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Thesis plan										
Thesis plan										
Research for thesis										
Research for thesis										
Writing of thesis report										
Writing of thesis report										
Thesis report finalizing										
Writing of thesis outcome										
Writing of thesis outcome										
Thesis outcome finalizing										
Thesis outcome publishing										
Thesis return and presentation										
Thesis return and presentation										
Planned										
Actual										

Table 3. Thesis process outflow; planned and actual.

As it can be seen from the table above the actual implementation of the thesis process deviated quite a lot from the original plan. Three key reasons affected this outcome; work related time limits that made work on thesis possible only on weekends and holiday, extents of the theoretical research involved in the process and complexity of the topic. More realistic deadline to spring 2013 for the thesis was selected during the summer 2012 after the realities of the process were realized.

## 4 Criticism and discussion

The outcome of this thesis process is an introductory guide for SME managers. It is not meant to be a solution for all expatriate management situations. As such it does not offer a ready-made solution for any field of business. It is up to the reader to pick up the important parts from the text and also to implement those in to action.

What comes to its academic relevance of the thesis it can be contested. Most of the source material is from western research sources and other publications and do not necessary represent the whole world as such. Some of the material can be also seen as outdated, but in the author's opinion still represent the concepts behind them. The thesis did not include any empirical data from expatriate and on these parts only reflected the authors own experiences. Most of these experiences have been written in the outcome of this thesis, because it allowed more leeway from the academic framework that was required for the thesis report. Intend behind this was to make the text more readable and so that it would make the reader to also think while reading it.

As a final comment for this thesis it is meant to be an introduction for expatriate management and hopefully also interesting enough for the readers to reflect on it.

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**Attachment 1:** Introduction for SME managers: Strategic Expatriate  
Management



# Introduction for SME Managers: Strategic Expatriate Management

Miika Kostamo



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# 1 Introduction

This guide is about strategic management of expatriates in SMEs (Small and medium-sized enterprises). It is intended for anyone interested in international human resource management and especially for Finnish SME managers, who don't have the time to study this subject from theoretical point of view. This guide is an outcome of my own international business thesis and has been done for personal interest. As such it is meant especially for SME manager, who wants to know more about expatriate management and how the complexity in it can be managed.

Why I decided to study and write about strategic expatriate management in SMEs?

The reason is that I believe that **it matters**.

Managing international employees is challenging. It involves a lot more variables than managing employees from one country and culture. Local environment requirements abroad, cultural differences and communication challenges without a possibility for regular personal contact together make the management of expatriates a lot more complicated. From the managerial point of view there are a lot more variables than in having employees in one country. Personally I have learned that having a structured strategy when managing this complexity can help a lot.

## 1.1 Inspirational perspective for SME managers: Small-and-medium-sized enterprises as a backbone of society

In most countries SME businesses make between 70-99% of all formal and informal business. In Finland, in the year 2011 enterprises that were listed as SME by the European Commission's standards made 99.8 % of total number of enterprises and employed 64.4% of the total work force in the country. SMEs are the backbone of most societies and often provide important services locally that larger organizations are not interested in or are not able to provide.

## 1.2 Individuals, groups, cultures and how all this relates to expatriate management

We are all individuals. We have our own opinions and values. Most of us also get inspired by different types of activities or hobbies. Our own perceptions of the world also affect our beliefs, behavior and the way we express ourselves to others.



We also belong to groups. Work, education and personal connections link us to others and make us a part of larger groups of individuals. These cultural groups affect our lives often more than we realize.

Most of us belong at least most of the following cultural groups

6. a national culture to ones country of origin or country of living
7. a regional, ethnic, religious or linguistic culture
8. a gender culture – men/women
9. a generational culture
10. a social class, family, school, university, sports or other social groups

Forgetting this in business can have an effect in business results. Especially in marketing missing the cultural annotations can lead to totally different interpretations of the same message in different cultures. Good example of this is the Japanese car model that is sold as Pajero in non-Spanish speaking countries and as Montero in Spanish speaking countries). Adjusting marketing and business messages to local cultural environment is very important in international business communication and marketing (Lehtipuu, U. 2010).

In expatriate management these groups of individuals with their cultural perceptions added with local practices and regulations are the business environment where the business happens. This is also the environment where an expatriate is expected to work and live to his or her best ability. For the expatriate it is very personal and it is very likely to affect the expatriate on a personal level. How and how much depends on the amount of positive and negative the expatriate will have during the deployment. From the managerial perspective it is important to remember that most expatriates work in environments that are not the same as in the home country of the expatriate and that the expatriate is the one who gets to experience this first-hand.

## 2 Strategy as a key to successful expatriate management

Strategy in management is a process that is used to define the current situation, future goals and means to achieve them. Strategies are used in many aspects of business, but for some reason not so much in expatriate management. In my opinion strategy is a very good tool to manage expatriates, because it is a circular process that allows constant review of the situation. In international business very few aspects are constants that can be estimated for years in advance.



Strategic Management Process (Coulter, M. 2010, p. 6)

Strategic management in expatriate management means creating a country and culture specific strategy that takes to account differences in cultures and does not ignore the personal requirements of expatriates. Even for most expatriates the assignments last for a certain period of time, from weeks to years, the expatriate strategy in management should last for whole life time of the international business operations.

For expatriate strategy to be successful the key is to first identify the most important local factors that affect how business should be run in a particular country and culture. Only after this an effective strategy can be created for that cultural environment.

## 2.1 Change as part of expatriate strategy

Change in expatriation is unavoidable. Change happens everytime an expatriate goes to new country or cultural setting. This means that the expatriate has to be able to adjust to this change. How easy it is depends on a person and also on the preparation that the expatriate has been given before the assignment.



Changes in the environment and the cultural differences usually affect most of us more longer we stay in a foreign culture. Going on a holiday for few weeks in to a tropical country might make you think it as a paradise, but on longer stay the realities of life start to emerge, things that don't get noticed on short trips on holiday. Good example of this is going to bank services that in one country take few minutes on the computer, but in another country can take half a day, because there is no online banking services and the trafic jams make driving to the bank a slow operation.

As change is an inevitable part of expatriation, managing it is very important. Sometimes major changes in business environment can



emerge during an expatriate assignment and from the managerial perspective it is important to be able to react to these changes. Local legislation and regulations in most countries change over time and sometimes these changes have an effect to expatriate operation or possibilities to work in a specific country.

John P. Kotter has developed a change leadership and management theory based on research of many organizational change. The theory is based on 8 steps that are always present in successful organizational changes. These steps can be helpful in a situation, when expatriate management requires larger changes that are possible cause for resistance in the organization.

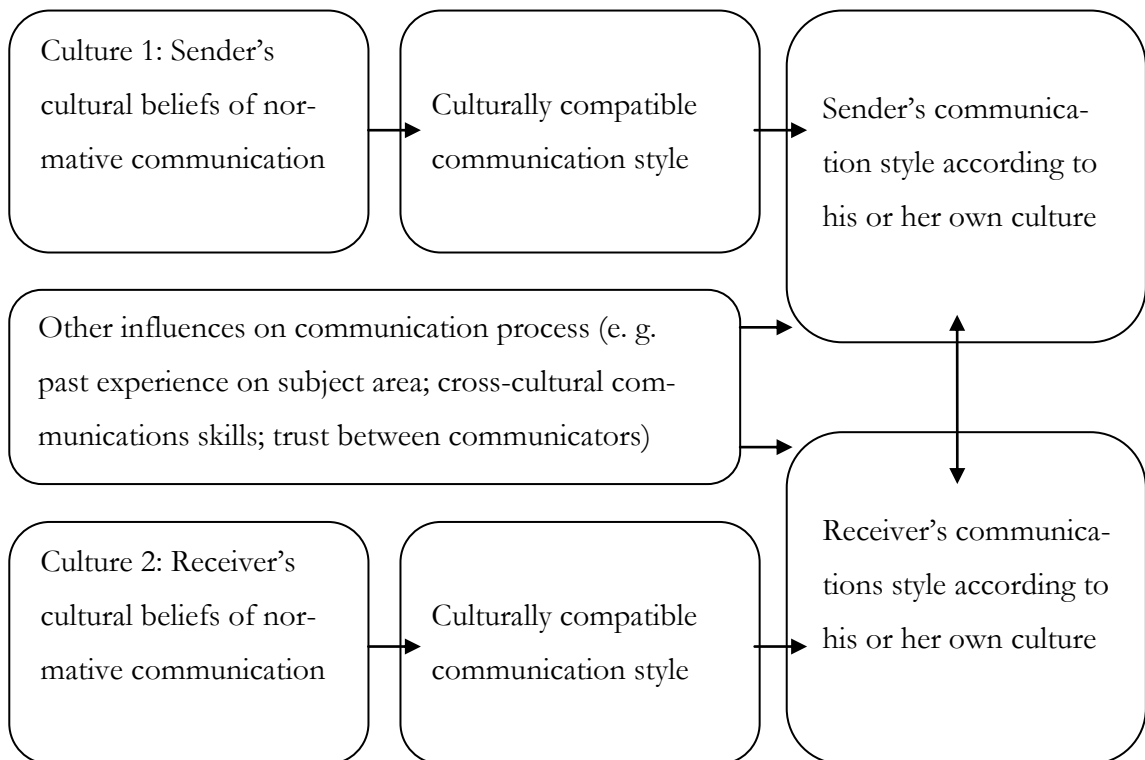
#### 8 Steps needed for successful organizational changes,

(Kotter, J. P. 2012. Leading Change.)

1. Establishing a Sense of Urgency
2. Creating the Guiding Coalition
3. Developing a Vision and Strategy
4. Communicating the Change Vision
5. Empowering Employees for Broad-Based Action
6. Generating Short-Term Wins
7. Consolidating Gains and Producing More Change
8. Anchoring New Approaches in the Culture

### 3 Cultural perspective – communication from the eyes of the beholder

As mentioned a few pages ago we belong to different cultures whether we realize it or not. This also affects the way we communicate as persons, both in communicating and interpreting messages. We all have our own cultural perspective to communication.



Cross-cultural communication process (Steers et.al. 2011, 202).

This culturally compatible communication style can also lead to wrong interpretations of messages, gestures and non-verbal communications also including non-communications that are often part of collective and harmony-oriented cultures (see chapter 4.2.3) For example as simple message as the word “yes” is. It can mean actually different things in different cultures. To a question about proposed business action might receive the same verbal answer “yes” in different cultures and still mean different things, in Finland “yes, I agree”, in India “yes, I understand what you say, but I don’t have the authority to decide or that more discussion is needed” and in Japan “yes, I follow what you are saying”. As expatriates work in cultures that differ from their home cultures it is important to take in account these differences.



## **4 Creating expatriate strategy**

The following chapters are about the creation and implementation of the expatriate strategy. In the following subchapters I have been trying to explain complexity in expatriate management in a way that it could be managed as a larger combination. If after reading the chapters you feel more puzzled than a master of everything related to expatriate management, don't worry. It took me almost 7 years, from my first international assignment to completion of my business administration studies, to put this all together. As it is said in the title of this guide, this is an introduction, not complete guide of expatriate management.

### **4.1 Step 1: Situation analysis as a starting point**

A basis of expatriate strategy creation process is a realistic situation analysis that takes the realities of the expatriation country into account. It should include the basic information about the country that is relevant to expatriate management and type of business that will be done in that country. On my opinion at least the following things should be included in the situation analysis (continued on next page).

#### **Basic country information**

1. Official country name (important in business context)
2. Country size, general location, population, average income
3. Job regulations related to expatriates
4. Time difference and public holidays (home office and other business locations)
5. Currency, bank services and main methods of payment
6. Travel connections and transport networks (in business relevance)
7. Communication methods and availability
8. Living conditions for an expatriate (housing, services and costs)

#### **Local culture**

1. Main cultural groups and their business relevance
2. Religions (main, subgroups and minorities)
3. Official and main languages
4. Main cultural dimensions affecting business (in more detail in chapter 4.2.3.)

#### **Risk analysis**

1. Business risks (financial and non-financial)
2. Legal risks
3. Safety issues affecting use of expatriates (traffic, crime, unsafe areas etc.)

Some of this information can be acquired from open information sources like CIA World Fact Book or daily news, but not all of it is openly available for every country of the world. Some of the information can only be acquired from more professional information sources.

It can be also dangerous to interpret news articles as a whole truth for business environment in a particular country. Everything is relative and news often tend exaggerated as well be biased in many countries. For example in Central America many news papers are linked or owned by political parties and tend to publish only news that are in favor of their own agenda.

For the general perspective of the business environment using respected international business environment comparisons, like World Economic Forum's *Global Competitiveness Report* or Transparency International's *Corruption Perception Index*, can be useful. Problem with these kinds of comparisons is that those only give general overviews of business environment in a particular country. Smaller differences in particular business fields are not seen shown on country level comparisons.



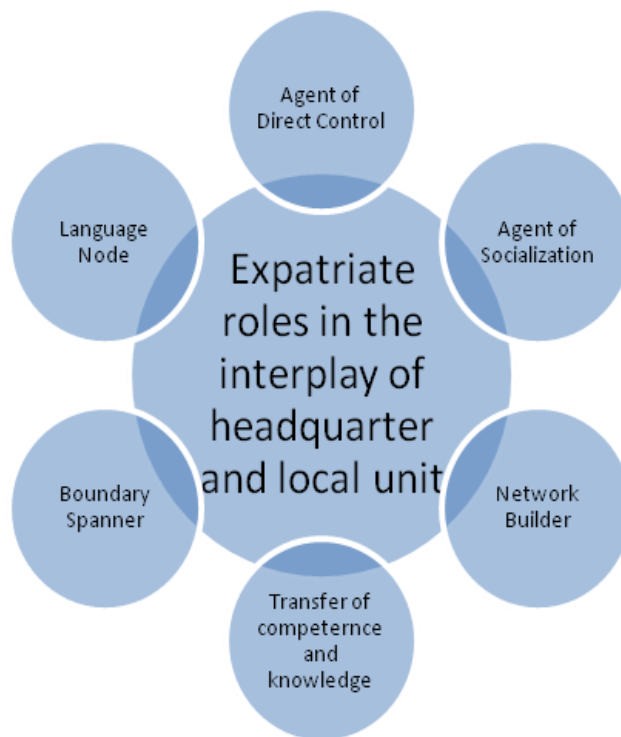
For more detailed analysis of a particular country or market it is recommendable to use more professional and business specific information sources. Local laws or regulations

regarding business and employment can influence a lot the way an expatriate strategy can be formulated. For example in some countries getting permanent working visas is almost impossible for a foreigner unless you are employed by a local business that can show that you are the only one able to do your profession in the country. For this reason many expatriates use more temporary ways to immigrate in these countries as many of these countries allow temporary stay from 30 to 90 days.

Getting all information for the situation analysis alone can be hard, so it can be advisable to contact someone with professional knowledge of the country and the region. Finpro (Finnish national trade, internationalization and investment development organization) in Finland offers such information services and advising. As they have a wide network of local presence in almost 50 countries around the world the probability of them having some business relevant information for a particular country is a lot higher than finding it from free sources. If it is not available they are able to use their wide network of connections abroad to get it. There are more Finns abroad than you might think. Spain has over 30 000 Finns and even in United Arab Emirates you can find over a thousand Finns at the moment.

## 4.2 Expatriate role and recruitment

After the situation analysis of the deployment country is completed it is important to define the intended role for the expatriate. The definition depends on the field of business, but expatriates have also roles that are not always evident from their professional status or title. Some of these roles are defined on the following page.



The roles of an expatriate (Dowling & Festing & Allen 2008, 92-96)

**Agent of direct control.** Expatriates can be used as a direct controller of international operations. These types of assignments are often different managerial positions or project supervisor tasks abroad.

**Agent of socialization** is a role, where an expatriate is used to spread knowledge between the home office and the local operations abroad. These types of assignments can be for example advisory or technical specialist tasks during the deployment.

**Network builder.** In these types of assignments expatriate are used to build new social networks between the home office and the markets abroad. In countries that value personal relationships to business partner this role can be one of the most important

roles of the international operations. In this role it is important to find out the right amount of business and private type of socialization.

**Transfer of competence and knowledge** type of expatriates are usually used to train local staff and business partners in their operations. It can also involve training locals to use new equipment or production processes. From the expatriate this type of assignment requires technical competence with teacher mentality to avoid frustration during the assignment.

**Boundary spanners** are expatriates that are used to promote the parent company's operations abroad. It can involve social events, advertisements, promotional campaigns and in developing countries also local development projects that help the local communities can be used to build up this type of social goodwill.

**Language node.** Expatriates can be also used as translators, if they have local language skills. Sometimes these types of assignment in SME are unintentional the expatriate finds out at some point that he or she is used to translate all of the company material to local languages. This can also be frustrating for the expatriate, if it takes time from other activities. Use of translator should be preferred, if the amount translated material is extensive.

The expatriate roles above can be also used to describe the intended tasks to the expatriate, so he or she is also aware of what is expected from him or her during the assignment. It is also important to consider, what kind of expertise the expatriate should have to be able to perform in the roles above. Clearing this picture in the beginning will help in the following steps of the strategy creation process.

#### 4.2.1 Duration of expatriation and level of change



Going to a new country to work for few weeks is an experience. Doing that for months or years changes you as a person and usually also affects your personal life. One way to explain this is the cultural environment and the differences that an expatriate experiences in it. Any cultural environment that a person lives in tends to change the person living in it. This change does not happen in few days, but when an expatriate stays for a longer period of time on assignment it starts to slip in.

After some weeks on a deployment it becomes a core part of the expatriate's professional and personal life. Everything in the expatriate's life starts whirl around it. Even contacting family and friends when on assignment abroad has to be adjusted to the tasks and time zone of the assignment location. This is very personal experience and how an expatriate is able to deal with it will also affect his or her performance on a professional level. Motivation is an important part of successful expatriate operations.

From the management perspective it is important to realize this time factor in international assignments. Short stays for the expatriate are small interruptions to normal way of living, but longer stays require more adjusting to local environment. After sometime the assignment becomes a normal part of an expatriate's life and returning back home after the assignment can become the new unknown (see chapter 4.4.4). Not coping with the changes and time required for the assignment can lead to expatriate failure (chapter 4.2.2).

## **Assignment Duration** (Dowling et. al. 2008)

**Short term assignment** lasts up to 3 months and those are usually related to some specific task or short term project abroad.

**Extended assignment** can last up to a year. These types of assignment are usually similar type as the short term assignments, but for the nature of the business operations they require longer stay from the expatriate.

**Long term assignment** is an assignment that lasts over a year. This kind of assignment requires the highest amount of adjustment from the expatriate and people around him or her. These types of assignments are often used to train international managers, but they can also involve longer development projects that last for years in a particular country.

**Commuter assignment** is a bit different type of assignment from the other types. It requires an expatriate to move between two or several countries. This can be related to the expatriates own expertise that requires presence in several locations during the same time period. It can be also caused by a seasonality of the business. This is common in global business operations that are somehow linked to weather seasons of the year.

**Consecutive short term assignments.** This is not a general definition for expatriate assignments in literature, but a perspective from personal experience. The requirement for an expatriate to travel for short periods abroad can be compared to extended or long term assignment, if it requires consecutive assignments with little time left between them.



### **4.2.2 Expatriate failure**

Expatriate failure by a traditional definition is a premature return of an expatriate from assignment (Dowling et. al. 2008). Typical reasons for early return from an assignment for the expatriate are:

1. family or other personal concerns
2. accepted new position in the company
3. early completion of an assignment
4. adjustment problems to local culture
5. security concerns
6. career concerns

Considering all early returns as failures is oversimplifying the situation. In international business some changes are always unexpected and pulling an expatriate out of a politically turbulent area can be sometimes a lot better option than leaving the expatriate there. Also changes in business environment can lead to more urgent need for the same expatriate in another country. To my own personal belief only unintended and avoidable early returns of expatriate should be considered as failures.

From a former expatriates perspective I would put the responsibility for avoiding these early returns to both management and the expatriates themselves. From the managerial perspective the only view of the expatriation is the messages they get from abroad and maybe from brief visits to project locations. The expatriate can have a totally different view of the situation as he or she lives in it. Key to this is open communication to both directions (chapter 4.3.3).



### 4.2.3 Core cultural dimensions around the world



Cultural dimension is a term that is used to describe some features of particular culture and also to compare the differences between cultures. Cultural dimensions can be also used to describe people's behavior in groups as general. These dimension have been described in different ways depending on the field and topic of the research. In this guide I will only reflect on of the latest studies on the topic in business context. Steers, Sanchez-Runde and Nardon combined several earlier studies in their book, *Management across Cultures – Challenges and Strategies*. They concluded that there are 5 core cultural dimensions in cultures that affect people's behavior in business context (Steers 2011 et. al, 65)

1. Power distribution
2. Social relationships
3. Environmental relationships
4. Time/Work patterns
5. Uncertainty and social control.

These dimensions can be useful when designing an approach to larger cultural regions, but using the as only source for a particular country can lead to wrong interpretations. Every country has its own cultural nuances and practices and these can have as much relevance in business context as the major cultural behavior has. People are also individuals, so large differences to general culture of a country can exist within the country. Example of this is the cultural difference between the older and younger generations in Japan (Jacobson & Sarvimäki 2001).

Table 1: Central tendencies of core cultural dimensions across regions (Steers 2011, 65)

<b>Country clusters</b>	<b>Power distribution</b>	<b>Social relationships</b>	<b>Environmental relationships</b>	<b>Time/Work patterns</b>	<b>Uncertainty and social control</b>
Anglo	Moderate egalitarian	Strongly individualistic	Strongly mastery-oriented	Strongly monochronic	Moderately rule-based
Arab	Strongly hierarchical	Strongly collectivistic	Moderately harmony-oriented	Strongly polychronic	Strongly relationship based
East European	Moderate hierarchical	Moderately collectivistic	Moderately mastery-oriented	Moderately monochronic	Moderately relationship-based
East/South-east Asia	Strongly hierarchical	Strongly collectivistic	Strongly harmony-oriented	Moderately monochronic	Strongly relationship based
Germanic	Moderate egalitarian	Moderately individualistic	Moderately mastery-oriented	Moderately monochronic	Strongly rule-based
Latin American	Moderately hierarchical	Moderately collectivistic	Moderately harmony-oriented	Strongly polychronic	Strongly relationship-based
Latin European	Moderately hierarchical	Moderately collectivistic	Moderately harmony-oriented	Moderately polychronic	Moderately relationship based
Nordic	Strongly egalitarian	Moderately individualistic	Moderately harmony-oriented	Moderately monochronic	Strongly rule-based
Sub-Saharan	Moderately hierarchical	Strongly collectivistic	Strongly harmony-oriented	Moderately polychronic	Strongly relationship based

**Power distribution** in business context can be hierarchical or egalitarian. Hierarchy means more centralized power to key decision makers. Egalitarian means that some decision making power has been distributed to lower steps of the organization. Even in egalitarian countries major financial decisions are usually still made at the managerial level due to business risks involved.

**Social relationships** are our connections to others and a perception of ourselves in relation to others. In individualistic cultures people tend to see themselves as individuals and individual achievements are appreciated in general. In collectivistic culture people see themselves more in relation to others, in relation to group of people at work,

school and in private life. The difference is that in collectivistic culture group performance and harmony is often more important than achievements of individuals.

**Environmental relationships** describe people relation to nature. In some cultures the general belief is that humans are the masters of the environment. The opposite view to the nature is the humans are just part of nature and should live in harmony with it. These types of beliefs tend to also affect the reasoning behind decisions that include any changes to the natural environment or the animals living in it. The harmony with nature is a very key element in many Asian religions like Hinduism.

**Time/Work patterns** in general can be either monochronic or polychronic. Monochronic perception of time and work usually means punctuality to schedules and time. Tasks are completed in the set period of time and, if the limit is passed, this is considered as a delay. With polychronic time and work perception tasks are often completed in more flexible framework. It is also common to do several tasks or projects at the same time. This is something that can feel as an unmanaged chaos for someone with monochronic time conception and also lead to frustration as things move more on natural space than strictly to planned schedule. Polychronic cultures need more flexible schedules, because delays for reason or another are very common.

**Uncertainty and social control.** In rule-based society majority of the population has a concept that rules should be obeyed and for example laws are as they are written. An extreme of this kind of behaviour can be observed in Finland, when pedestrians wait for traffic lights to change, before crossing the road at 3:00 AM and no cars in-sight. The other view to rules is relationship based view, which means that rules and also business contracts are usually respected to their relevance to particular situation. Good and trusted business relations are valued over less meaning ones even the written contract would be the same. Also traffic lights are respected, when it makes sense in relations to safe crossing of the road. In relationship based societies it is very important to know your business partners as their other connections might make a huge relevance in their decision making.

### 4.3 Step 2: Expatriate strategy formulation



After the situation analysis completed and the expatriates intended roles are defined it is possible to start designing of the expatriate strategy. The purpose of the strategy is create to create cost- and time efficient approach to expatriate management in particular cultural environment, so that the cultural setting and the expatriate as individual are not ignored in the process. Before starting creating the strategy it is important to remind that what works in one cultural setting can be a perfect setting for a catastrophe in another.

#### 4.3.1 Requirements for the expatriate

In expatriate management it is important to define also the cultural requirements for the expatriate along with task relevant knowledge and skills.

##### **Task and expatriate role related requirements**

Task and role related skills and knowledge (business, technical, social etc.)

Willingness to travel for the duration of the assignment

##### **Culture relevant requirements**

Understanding of the local culture and history

Local language skills

Inter-cultural management and communication skills (needed for efficient business communication and relationship building)

For some cultural environment more detailed knowledge about the region is available in publications. Lasserre and Schütte listed some of these for the Pacific Asian region in their book, *Strategies for Asia Pacific – Meeting New Challenges*.

**Expatriate skill requirements in Asia Pacific (Lasserre & Schütte 2005)**

<b>Countries</b>	<b>Language: Mastery of local lan- guage, “social level”</b>	<b>Cultural: Understanding of and sensitiv- ity to etiquette, social norms, religions, eth- nic character- istics. Knowledge and reference to arts and lit- erature</b>	<b>Relationships: Ability to build and maintain a network of contacts. Abil- ity to call on “friends” when needed. Ability to ne- gotiate.</b>	<b>Political: Ability to understand local politi- cal context and subtleties. Ability to get close to lead- ers and high ranking officials.</b>	<b>Profes- sional: Knowled- ge and expertise in prod- uct tech- nology. Ability to demon- strate the character- istics and perform- ance of products and pro- cesses.</b>
<b>Countries in which the particu- lar skills are higher importance</b>	China, Korea	China, Japan, Philippines, Malaysia, Thailand	Everywhere else	China, Malaysia, Philippines, Vietnam, India	Japan, Korea, Taiwan, India
<b>Countries in which the particu- lar skills are in somewhat importance</b>	Indonesia, Thailand, Vietnam, Japan	Korea, Indonesia, Taiwan, Vietnam, India	Singapore, Hong Kong	Indonesia, Korea, Thailand	Everywhere else
<b>Countries in which the particu- lar skills are in low- er im- portance</b>	Hong Kong, Philippines, Singapore, Taiwan, Malaysia, India	Hong Kong, Singapore		Hong Kong, Japan, Singapore, Taiwan	

As seen from the previous table expatriate requirements can vary a lot in different countries. These are factors that should be considered as part of the expatriate strategy.

Also the relevance of some particular skill can vary a lot depending on which part of the country the business is done. India and China both are very large countries that large difference for example in language skills of the locals. IT expert in Bangalore, India, is a lot more likely to understand foreign languages than a farmer in the western parts of China (actually closer to many parts of Europe than Beijing).

Former British colonies, Singapore and Hong Kong, are also oddities in the list of requirements due to their colonial history. Chinese language knowledge in both of these can be still an advantage, because of the large influence of businessmen and women with Chinese origin in the business life. (Sivonen 2006.)

#### **4.3.2 Cross-cultural communication and management skills**



One of the most important skills for an expatriate is able to communicate with people from different cultural backgrounds even with language barriers. Getting your intended message through and understanding what others are saying and not saying is a important as having business experience and competence in international operations.



For manager it is important to adjust his or her management style and communication to the local cultural environment. This should be done to ensure effectiveness of communication and to avoid unintentional offending of others. Giving open feedback to individual employees in company meetings can be acceptable in Finland (egalitarian culture, table in chapter 4.2.3). Doing this in India, China or Japan (more harmony oriented cultures) can lead to loss of face for the receiver or others in the room. Depending on the situation it can in worst case lead to long term problems even the intent was right from the western perspective.

From human resource management perspective it is also important to ensure motivation for the employees, so that they perform better than average. This can mean different things in different cultures. In some countries business and private life don't mix, but in some countries a good manager can be expected to have dinner after work with the employees to ensure harmony in the working environment.

People's own perception of work and how it should be performed can also be affected by the local culture. In cultures, where more polychronic time perception is present, it is important to leave enough leeway for the things to take their own time. Too much punctuality in such cultures can lead to unneeded stress for a manager, but it does not mean that things should not be done in the given time limits. It is just important not to try to push them too much.

### 4.3.3 Communication strategy during the assignment

Key part of the expatriation process is communication. This includes internal communication in the company and external communication from the company to business partners, customers and other associates. Creating a strategy of its own for purpose helps dealing with possible challenges in communication and helps all participants in expatriation to perform according to expectations.

**An internal part** of the communication strategy should include methods of communication as well as structure how it should be done. It is important to ensure that some level of personal communication between the expatriates and the management is included in it. Impersonal messaging like email should be left only for less relevant communication like meeting schedules or reports.

Any decisive messages should be delivered with a more personal message like video call, to avoid wrong interpretation of the messages. Time differences, public holidays and poor communication connections can make this type of personal communication difficult, but those are not excuses for not having communication between the home office and the expatriate. If the communication is possible over internet, for example with Skype or MSN Messenger, this can help in controlling of the cost of this type of communication.

From the expatriates perspective it is sometimes more important to know that a possibility for personal communication exists if needed than actually having a 2-hour online meeting with home office every day. Assuring communication possibilities for the expatriate helps also in the mental aspects of international assignments as the expatriate's personal connections can be resumed during the deployment.

**External part** of the communication strategy should include all relevant communication for the expatriate to business associates outside the company. It should also include the local cultural requirements for effective business communication style. Selling in most countries is personal, but how much involvement on a personal level from an expatriate depends on the local culture.

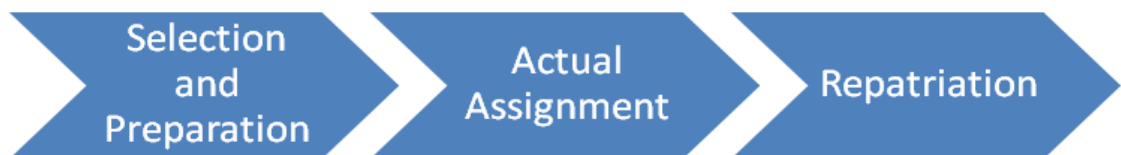


#### 4.4 Step 3: Expatriate strategy implementation



Putting expatriate strategy into action is always a bit like pushing a new ship to the sea. It includes some excitement about seeing, if it floats. The difference is that other involves an object, that is expected to float, and the other involves people that need to be kept afloat during whole project or assignment.

From the human resource and expatriate management perspective an international assignment can be divided to three steps, that all have decisive roles in defining a success of an expatriation process.



International assignment process (Harzing et. al. 2011, 204)

International assignment from the outside are often seen as starting from the day of deployment and then ending at the return. This is a common missbelief as for the expatriate and for the expatriate the assignment starts a way before the actual

assignment beginnings and does not end on the day of repatriation.

For an expatriate the first step of the process is the day he or she receives the first message about possible assignment. For the expatriate management the process has already begun earlier, on the day he or she was told to select and prepare someone for an international assignment. For most managers the end of the assignment is at the day of return for the expatriate as managerial responsibilities usually end at this point, but for the expatriate it can continue also after the return as being back home also requires adjusting to new environment. Often this includes a period of resetting back to the work environment of the company and the expatriate's home country. Expecting an expatriate to perform 110% on the day of return after a long assignment is ignoring most people's natural reaction to change situations.

From the managerial point of view a good practise would be to give the expatriate some room and time to reset back to home country's cultural environment and assist in the process, if it is needed. This way a good relationship can be maintained between the expatriate and the employer also after the assignment.

#### **4.4.1 Factors to be considered in the expatriate selection process**

In addition to the task and culture related requirements for an expatriate, the expatriation process involves many other aspects that should be considered in the expatriate selection process. Some of these are the following (Reuvid 2009):

11. Salary and benefits during the expatriation (also tax issues)
12. Long-term benefits, like pension and unemployment payments
13. Career development of the expatriate
14. Job security at the return from deployment
15. Family and other commitments that the expatriate has at home country
16. Possible stress caused by the expatriation
17. Language skill requirements in the deployment country
18. Other personal circumstances that affect the expatriate's willingness to travel
19. Costs and benefits evaluation for the total cost of expatriation
  - a. Expatriate cost
  - b. Living expenses
  - c. Travel and transportation cost
  - d. Nonfinancial costs and benefits (skill development, possible loss of expatriate after assignment etc.)

Many of these factors are very relevant to expatriates, especially on longer assignments, and affect an expatriate's motivation to work and commitment to the employer. Getting underpaid for the job and having to spend long times away from family and friends are probably the easiest ways to get an expatriate unmotivated and to make him or her to look for alternative ways of employment. Less an expatriate has to worry about things that are not directly linked to the assignment tasks, more likely he or she is to perform well in performing in the assigned tasks.

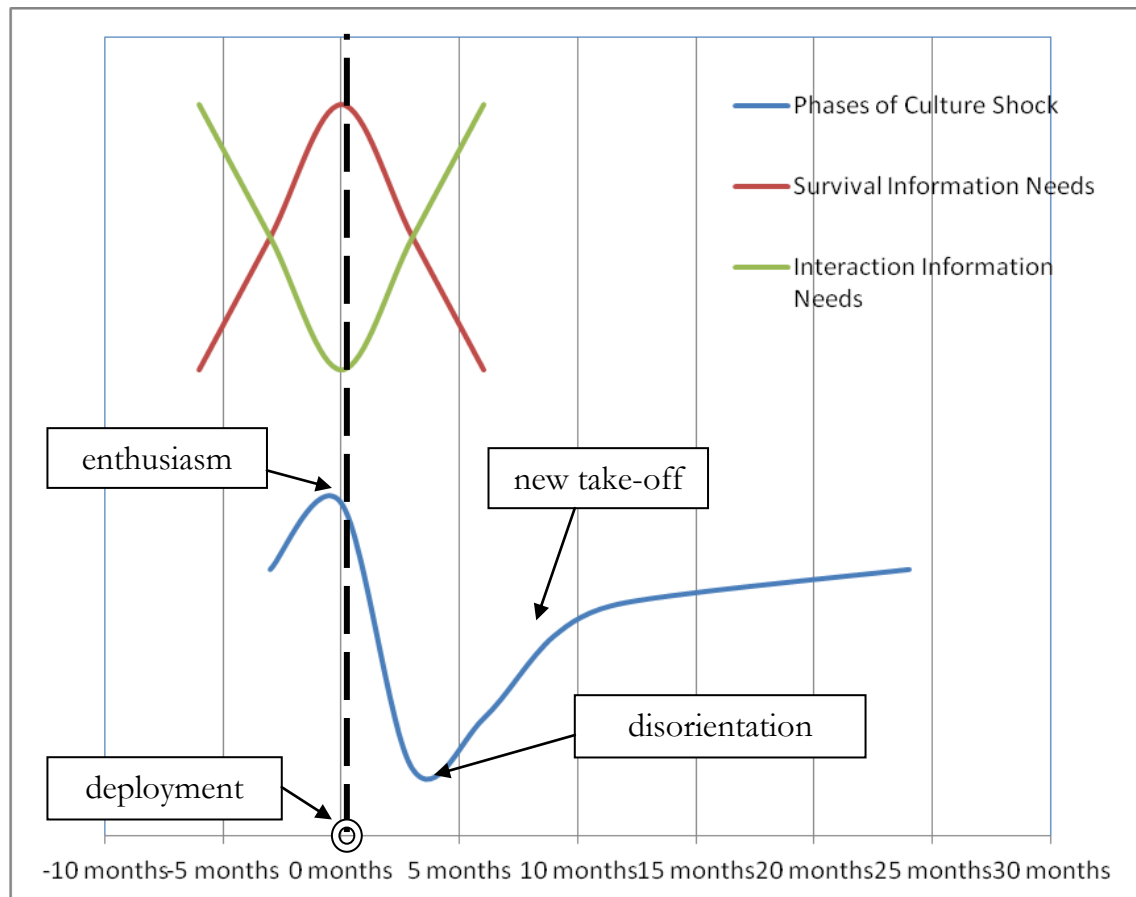
#### 4.4.2 Culture shock and information needs of an expatriate



Going to a new country and culture for the first time is always something new and involves something unexpected. It is possible to read about the some culture and its history and think that you know it and still get overwhelmed by the local traffic chaos on day of arrival. In most countries the reality that the local live in differs a lot from the romantic images that travel brochures or travel stories tell. In reality working in a tropical jungle is a lot more about avoiding malaria mosquitoes and trying to stay hydrated than a wonderful travel experience in untamed wilderness of nature no matter how wonderful the scenery is.

In literature this experience described as a culture shock. Culture shock is something that happens to most of us, when we are introduced to new cultural setting that differs from our own culture. How much of it is actually caused by culture difference and how much by the practical changes in our lives can be questioned, but the fact is that it is a part of expatriate experience.

Reaction to this change is personal and can vary from just adjusting to the environment to not being able to function at all in the new environment. Experienced expatriates have usually developed their own way to deal with it and don't need that much time to set in to a new environment. For inexperienced traveler with little intercultural experiences the time to settle can be very long as it might also involve need to change personal thinking patterns which for most of us takes a longer period of time.



Culture shock and relative information needs for expatriate (Feichtinger et.al. 1998 and Weaver 2002 & Gydukunst 1983)

Culture shock itself is a process that begins before the deployment with a period, when an expatriate is excited about the new assignment and is preparing for it. This step is described as enthusiasm, which is usually a positive experience. During this period most expatriates want to know about the assignment country and the environment they are expected to work in. Providing this kind of survival information to the expatriate is important. Enthusiasm usually lasts right until the time of deployment, when most also start to realize, that going abroad also means leaving something behind.

This excitement about going abroad starts to decline after the actual day of deployment as the realities of the international assignment start to set in. Not everything abroad works the way we expected or the way we would like it to work. Personally the most challenging was always getting used to the local traffic culture. This period of disorientation usually lasts for most people until 2-6 months of an assignment. After this most

expatriates start to set in and realize that it is not that bad after all. Working independently abroad has also its pros.

From the managerial point of view it is important to realize the significance of the cultural shock and understand that different people need different periods of time to adjust to new environment. More social persons usually set in faster than introverts, but being alone abroad, can also affect some of us in strange ways. This is also the reason, why it is not always evident, why some of us perform better on international assignments than others.

#### **4.4.3 Expatriate training**



Purpose of expatriate training is to prepare the expatriate to the challenges of the international assignment, so that he or she can begin with the best setup as possible. Depending on the duration and type of assignment the expatriate training should include all task and culture related aspects that are relevant for a successful completion of the assignment. What should be taught depends on the person and the country of assignment, more specifically on its cultural environment.

As most people have some limitations in their learning capabilities and in the amount of new information what is possible to absorb in a limited amount of time it is im-

portant to reserve enough time for the training. In the previous chapter the expatriate information need requirement graph also points out that from the expatriate perspective the best time to teach more complicated aspects about cross-cultural communication is not to do it on the last minute, before the deployment. In the training model created by Mendell , Dunbar and Oddou the training durations for different types of expatriate are defined as the following (Mendell et. al. 1987).

**Information-giving training** lasts usually under a week and as such is the shortest version of expatriate training. In this time period it is possible to brief the expatriate about general conditions of the country of assignment. The local culture and working environment as it can be seen from second hand information sources like books, films and other publications. Language skill training in less than a week is limited in basic survival language skills, the skills that at best are the level of the first basic course for a new language. For more complicated communication the expatriate will need translation services during the assignment.

**Affective training** for an expatriate goes deeper than just the surface of the country of assignment. It also lasts longer, typically 1-4 weeks. As more time is given for the training it is also possible to include more complex exercises that can also include practical situation exercises for business situation on assignment. Longer time frame also allows analyzing of example cases, stress reduction exercises and more advanced language training that will help in daily activities during deployment.

**Immersion training** for expatriates is usually only given, when preparing expatriates for longer periods abroad, typically for assignments that last for more than a year. In immersion type of training expatriates are usually prepared for all aspects of life for the assignment. In immersion training it is also possible to teach a person to become more sensitive to other cultures and prepare for different business situations in cultural context.





How the training should be done depends also of course on the company, its field of business and resources available for expatriate training. Most SME don't have human resource divisions that have dedicated personnel for international assignment preparation, but this does not mean that giving expatriate train is not possible.

In Finland Finpro and other internationally oriented organizations as well as private consultant companies give training and courses about working in different countries and cultural environments. They can also already poses local contacts that can be helpful, when starting a business in a new cultural environment. ChinaWorks ([www.chinaworks.fi](http://www.chinaworks.fi)) for example offers such consultancy services to China.

From a personal experience I can say that even with all the preparations and pre-departure training the actual deployment is an important part of the expatriate training, especially in the long term. Not everything about expatriation can be learned from books and preparatory courses. Personal reactions to expatriation happen during deployment and one of the most important factors in international business, trust-based relations with local business partners, can be only achieved by working there. On long assignments and in long term strategies this learning should be used for improving the current practices.



#### 4.4.4 Repatriation



Repatriation is unavoidable part of all international assignment unless the expatriate decides to stay in the country of assignment on a more permanent arrangement. For the expatriate this often anticipated return from assignment is again setting up to new environment. Especially on longer assignments the culture abroad has become a natural part of daily life and adjusting back from it takes time. This readjustment can sometimes be harder than the original adjustment to the culture in the country of deployment. Job safety, new tasks, family/social pressure and requirements to adjust back to the home offices business culture can cause stress to the expatriate and for the expatriate manager it is important to realize this. With right type of support to the individual expatriate and possibility to affect the return this process of readjustment is often made easier for the management and the expatriate him- or herself.

From a personal experience I can say that something in expatriation also changes you as a person. Seeing the world from a different perspective often reveals new things in it and can lead to life changing moments in the future. Example of this in grander scale is the trips that one famous Argentine made during his youth (Simon Reid-Henry 2009, Fidel and Che).

#### 4.4.5 Why to invest into expatriates?



I believe that expatriates should be considered more as a long-term investment than short-term cost items. From the SME perspective expatriate is always a great investment of money, resources and time. Expatriates cost more than employees at home, but they can also achieve things that would not be possible by sending emails or company brochures, they create local contacts. As expatriates are anyway expensive it is worth paying them enough to keep them satisfied and give them good enough resources, so that they can concentrate on the work in hand and not worrying about housing or personal safety.

In countries where business and decision making power is placed on the top of the pyramid (hierarchical), doing business without local presence is virtually impossible, unless the product sold is something that is usually ordered online by consumers. Local presence is also often needed in these countries, because most of the important business meetings are conducted in informal settings often out of business hours. For example having a morning coffee at the hotel with a local business partner can be a lot more significant for a project continuation than having an official meeting at the customer's office during the business hours.

From the expatriate's assignment country perspective, who would you trust more the company that has had local presence in your country for last 15 years or its competitor that started sending you proposals by email? In countries, where decision power is centralized, the turbulence in the past and current society has often led to the centralized and trust-based business models. If surrounding environment is constantly changing in ways that cannot be always predicted in advance, it has been historically a better solution to first trust family, friends and trusted partners in business.

From a SME perspective an expatriate on assignment is also an image of the company.. Locals see him or her as a representative of the company and in most countries the expatriate's actions are often also noted more than the locals. Skilled and motivated expatriate is always a better promotion for the company than an untrained and angry one. Expatriates as being there can also provide a lot of insights about the local environment, information about things those are not always so easy to see from the outside. This information can be utilized in other business decisions to help to adjust operation to local requirements.

From the managerial perspective the expatriates should be considered as a long term investment also because they are also a rarity in business life. Internationally experienced professionals in any field of business are a lot rare than average professional in the same field of business.

Is investing to expatriates worth it depends on the business situation and the cultural environment. If the market has long term potential and it is significant in size, it is advisable to use expatriates at least in the beginning of the operations. Building trust in many countries without local presence is almost impossible.

#### **4.4.6 Minimizing the negative factors in expatriation**

Expatriation can be a positive experience as a whole as the chapter 4.6 at the end of this guide shows. Unfortunately as most things in life it also has a negative sides, changes and travelling as stress factors.

As lot the negative factors in expatriation are related to change it makes sense to approach this problem from the change management perspective. In the work wellbeing guide published by a Finnish work research and training institute on key parts of work wellbeing is managed change (Manka et. al. 2010). In the conflict avoiding rules they listed four main parts in good practice for situation that require change from employees or managers.

1. All changes should be planned well ahead. All participants should be included in the process as soon as possible.
2. A justification should given to the changes and the changes should be communicated openly so that all parties understood the changes.
3. Discussion about the changes should allowed, so that possible fears and reasons for resisting the change could be known before execution.
4. Time should be allowed for the implementation of the change.

These recommendations are a good guide line for managing expatriates, because a small managerial effort in decision to send the best guy available for an assignment abroad from another project country can lead to total reorganization of that person's life.



Other important factor in expatriation is travelling. It is also something that cannot be avoided, but the effects of it to the expatriate's performance during assignment can be minimized. No one likes to travel for consecutive 32 hours to reach the office at the assignment location with the expectations to be fresh and ready for action just after the trip. If a long trip is unavoidable it should be planned that the expatriate has an opportunity also to rest during the trip, otherwise this kinds of exercises can lead to several days of disorientation after arrival.

The Finnish Institute of Occupational Health gave a list of recommendations to business related travel, after conducting a questionnaire to over 1500 work travelers in Finland.

Enabling resources to be promoted in business travel:

- Possibility to affect travelling (travel times, amount and possibility to deny from a trip without negative response at work place)
- Improving the comfort in travelling (lounge possibility, more convenient routing etc.)
- Paying attention to free-time during work related trips (exercise possibilities at hotels, promoting of recreational activities during travel etc.)

- Improving of travel organization and practices to more well-being promoting  
(Are travel related accounting processes source for strain or comfort?)
- Promoting life style towards health improving direction (balance between work-free time and exercise)

Stress factors that should be minimized:

- Sustainable balance between work, travel and other aspects of life
- Stress caused by work and travelling and free time to recover from them
- Risk of overloading expatriate with work
- The feeling of injustice caused by the loss of free-time

The same research report also points out that the list above is not a sole responsibility of the employer or the employee. It is a combination of joined effort from employee, company and work wellbeing services.

#### 4.5 Step 4: Expatriate strategy evaluation



How an expatriate strategy is formulated and executed depends on the organization the same way as effective managerial styles in different organization does. How well the planned strategy works in reality also depend on the implementation of the strategy in action. For these reasons it is not easy to compare two strategies in their efficiency, especially in SME environment, where two companies alike are not so common.

For an SME manager the best way to analyze an implementation of a strategy is to first compare the planned actions to the real actions taken. After this the efficiency of the strategy can be evaluated. If research on the topic is not available the easiest solution is to see the financial figures for the expatriate actions and compare those to the budgeted figures and after this discuss with everyone involved in the expatriate action.

Often delays and going over the budget in expatriate operations are caused by an over-optimistic view of the local environmental factor in the assignment country. Delayed permits, local bureaucracy and delays in shipments are very common in international operations, but can easily be forgotten in the planning phase, if similar delays are not common in the home country.

Discussion with the expatriates can reveal different perspective to these issues and

maybe allow better usage of the expatriate's time on the next assignment. Talking to expatriates is a critical part of the strategy evaluation process, because it is the fastest way to find out possible problems during and after the assignment.

No strategy is perfect from the beginning and the world around us keeps changing whether we like it or not. The companies able to adjust to these changes are the most likely to succeed (Hamel 2007).



## 4.6 Afterwords - Expatriation is personal

After writing this guide as a thesis project I am finally starting to understand on how many levels working as an expatriate affects us as persons.

From my first deployment as a novice engineer to Turkey the most recent deployment to Central America I was aware of the fact that the working as an expatriate affects my professional and personal life. I could also see the changes around me. One of the most obvious ones was that family and friends started to expect me to on assignment somewhere far away and for that reason started to use email rather than phone to contact me.

On a personal level I could also feel the joy caused by the freedom to do my work in the way I thought was best for the project and fitted the local project environment. At times I could also feel the stress caused by delays and problems during the projects. Nothing of this was something that I could not overcome and being able to speak to more experienced colleagues often helped at the moments of frustration. Many thanks to them. You know who you are.

Expatriation is personal. It affects the expatriate's life in all levels and can also be a life changing experience. At least it was for me. Expatriation is definitely not for everyone, but I would still recommend trying and taking the risk involved. You might find yourself in a place that you could not even dream about.



Anyone wanting to know more about the subject I would recommend to read the references at the end of this guide, especially the research by Luciana Duque.

## **Further sources of interest**

### **Professional services offering information and assistance for international operations in Finland:**

Enterprise Europe Network. European Commission's networking organization that helps SMEs in their international operations and acquiring financing.

<http://portal.enterprise-europe-network.ec.europa.eu/>

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## Picture locations

The pictures in this publication are all the property of the author. Majority of them were taken during the period, when the author was working as an expatriate for a Finnish consultancy company.

Cover, Lihula, Estonia

Page 2, left: Arabic Desert, Egypt, right: China Town, Singapore

Page 5, center: Zapatilla 2, Bocas del Toro, Panama, below: Panama City, Panama

Page 9, Sorocaba Airport, Brazil

Page 13, left: Colón, Panama, right: Maria Chiquita, Panama

Page 14, El Valle, Panama

Page 16, left: Tegucigalpa, Honduras, center: Nouackhott, Mauritania, right: New York City, U.S.A.

Page 19, China Town, Singapore

Page 21, San Jose, Costa Rica

Page 24, Suomenlinna, Helsinki, Finland

Page 27, left: Luxor, Egypt, right: Cairo, Egypt

Page 29, Lisbon, Portugal

Page 31, China Town, Singapore

Page 32, Nouackhott, Mauritania

Page 33, Business District, Singapore

Page 36, San Jose, Costa Rica

Page 38, Arabic Desert, Egypt

Page 40, Nouackhott, Mauritania

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## Attachment 2: Cultural dimensions in different cultural models

(Steers et. al. 2011)

<b>Cultural dimension</b>	<b>Scale anchor 1</b>	<b>Scale anchor 2</b>	<b>Scale anchor 3</b>	<b>Cultural model</b>
Relationship with nature	Mastery	Harmony	Subjugation	Kluckhohn Strondtbeck
Relationship with people	Individualistic	Collateral	Lineal	Kluckhohn Strondtbeck
Human activities	Being	Becoming	Doing	Kluckhohn Strondtbeck
Relationship with time	Past	Present	Future	Kluckhohn Strondtbeck
Human nature	Good	Neutral	Evil	Kluckhohn Strondtbeck
Power distance	Low	High		Hofstede
Uncertainty avoidance	Low	High		Hofstede
Individualism / Collectivism	Collectivism	Individualism		Hofstede
Masculinity/femininity	Masculinity	Femininity		Hofstede
Long-term/short-term orientation	Short-term orientation	Long-term orientation		Hofstede
Context	Low context	High context		Hall
Space	Center of power	Center of community		Hall
Time	Monochronic	Polychronic		Hall
Universalism / particularism	Universalism	Particularism		Trompenaar
Individualism / collectivism	Individualism	Collectivism		Trompenaar
Specific / Diffuse	Specific	Diffuse		Trompenaar
Neutral / Affective	Neutral	Affective		Trompenaar

<b>Cultural dimension</b>	<b>Scale anchor 1</b>	<b>Scale anchor 2</b>	<b>Scale anchor 3</b>	<b>Cultural model</b>
Achievement / ascription	Achievement	Ascription		Trompenaar
Time perspective	Past/present oriented	Future oriented		Trompenaar
Relationship with nature	Inner-directed	Outer-directed		Trompenaar
Conservatism / autonomy	Conservatism	Autonomy		Schwartz
Hierarchy / Egalitarianism	Hierarchy	Egalitarianism		Schwartz
Mastery / Harmony	Mastery	Harmony		Schwartz
Power distance	High	Low		GLOBE
Uncertainty avoidance	High	Low		GLOBE
Humane orientation	High	Low		GLOBE
Institutional collectivism	High	Low		GLOBE
In-group collectivism	High	Low		GLOBE
Assertiveness	High	Low		GLOBE
Gender egalitarianism	High	Low		GLOBE
Future orientation	High	Low		GLOBE
Performance orientation	High	Low		GLOBE